REPORT

OF

THE OIL PRICE ENQUIRY COMMITTEE

July 1961

GOVERNMENT OF INDIA
MINISTRY OF STEEL, MINES AND FUEL
DEPARTMENT OF MINES AND FUEL

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TABLE OF CON

STATEMENTS

ANNEXURE

APPENDICES

PERSONNEL OF THE COMMITTEE

SHRI K. R. DAMLE ....*Chairman*

SHRI C. P. SINHA ....*Member*

SHRI N. KRISHNAN ....*Member*

SECRETARY

SHRI N. R. LAW

REPORT OF THE OIL PRICE ENQUIRY COMMITTEE

CHAPTER I—Introduction

1.1. The Government of India, Ministry of Steel, Mines & Fuel, Department of Mines & Fuel, in their Memorandum No. 101(11)/60-PPD, dated 2nd August, 1960 (*vide* Appendix I) appointed a Committee consisting of the following members to examine the principles and elements according to which the selling prices of various petroleum products in India should be determined after 1st April, 1961 and to submit its recommendations by December 1960:—

(1) Shri K. R. Damle, I.C.S., Secretary to the Government of India, Ministry of Food and Agriculture (Department of Agriculture)—Chairman.

(2) Shri P. N. Sapru, M.P.—Member.

(3) Shri N. Krishnan, Chief Cost Accounts Officer, Ministry of Finance, Government of India—Member.

1.2. In conducting the enquiry the Committee was requested *inter alia* to examine and report on—

(a) the cost at which crude oil and the various refined petroleum products can be imported,

(b) whether the "port charge elements" in oil prices can be adjusted on a flat basis irrespective of the particular port to which any supply area is linked,

(c) in keeping with the relevant clauses of the existing Agreements relating to the establishment of the two refineries at Bombay and the refinery at Visakhapatnam, how should the ceilings be determined for the ex-refinery prices of their products,

(d) whether the time is opportune for evolving a railway freight pool system in respect of oil products,

(e) whether along with such pooling, or irrespective of the same, for reduction of the imbalance in consumption particularly, principles can be evolved for having a common tariff of railway freight in respect of petroleum products irrespective of whether they are of the dangerous or non-dangerous category,

(f) to what extent more efficient and economic arrangements can be introduced for unloading, storage and distribution of petroleum products inland,

(g) the best manner in which the oil industry can enlist service co-operatives in the marketing and distribution of such petroleum products as are in daily use in almost every household like, particularly, Kerosene,

(h) in keeping with the needs of conservation of foreign exchange, stabilisation of prices, raising of internal resources, and the overall development of the planned

economy, to what extent the pricing mechanism in respect of petroleum products should be used for purposive influencing of production, transport, distribution and consumption patterns.

Method of Enquiry

1.3. Shri P. N. Sapru, one of the Members of the Committee, resigned with effect from 14th March 1961 on grounds of ill health and Shri C. P. Sinha, retired Chief Justice of Assam High Court, was appointed as a Member of the Committee in his place with effect from the same date.

1.4. Detailed questionnaires were issued to all the Oil Companies and Refineries and also to such of the parties who were dealing with lubricants, greases and chemicals. The list of parties to whom the questionnaires were issued and those who have replied is given in Appendix II.

1.5. The Chairman and Members of the Committee visited Digboi on April 17th and 18th, 1961 and Bombay from 23rd to 29th April, 1961 and held discussions with the Assam Oil Company (referred to as A.O.C. in the later portions of this Report), Burmah Oil Company (India Trading) Ltd., [B.O.C. (I.T.) Ltd.], Western India Oil Distributing Co. Ltd. (W.I.O.D.C.), Indian Oil Company Ltd. (I.O.C.), Burmah Shell Oil Storage & Distributing Co. of India Ltd. (Burmah Shell), Burmah Shell Refineries Ltd. (B.S.R.), Standard Vacuum Oil Co. (S.V.O.C.), Standard Vacuum Refining Co. of India Ltd. (S.V.R.C.), Caltex (India) Ltd. (Caltex) and Caltex Oil Refining (India) Ltd. (C.O.R.I.L.), on the various issues arising out of the replies furnished by them to our questionnaires. The Committee held further discussions with the representatives of the Oil Companies between 16th to 20th May, 1961. The Committee also visited C.O.R.I.L., at Visakhapatnam between 22nd to 24th May, 1961. A list of persons who took part in the discussions is given in Appendix III.

1.6. The Committee held discussions individually with Shri S. S. Khera, Secretary to the Government of India, Ministry of Steel, Mines and Fuel, Department of Mines and Fuel, Shri K. K. Sahni, Joint Secretary to the Government of India, Ministry of Steel, Mines and Fuel (Department of Mines and Fuel) and Shri K. G. S. Iyer, Joint Director Traffic (Transportation), Railway Board. The Committee also consulted Shri P. R. Nayak, Managing Director, Indian Refineries Ltd., in regard to the programme of production at the public sector refineries at Nunmati and Barauni.

1.7. The examination of the distribution costs of the Oil Companies was undertaken by the officers of the Cost Accounts Branch in October, 1960, under the direction of Shri S. V. Rajan, Senior Cost Accounts Officer, Ministry of Finance.

CHAPTER 2—Establishment of Refineries

2.1. Till the establishment of the Refineries in the country in 1954, almost the entire requirements of petroleum products were imported and distributed by the following six oil distributing companies:

(1) Burmah Shell.

(2) S.V.O.C.

(3) Caltex.

(4) B.O.C. (I.T.) Ltd.

(5) W.I.O.D.C.

(6) I.B.P.

2.2. Assam Oil Company processes small quantities of crude oil, available at Digboi, and its products are distributed in the Assam area by B.O.C. (I.T.) Ltd. The production of refined products by A.O.C. forms about 5 per cent of the present requirements of the country. The refineries at Bombay (B.S.R. and S.V.R.C.) came on stream in 1955 and 1954 respectively and the Caltex Refinery (C.O.R.I.L.) at Vishakhapatnam in 1957. The three Refineries are now operating on imported crude oil, in the absence of adequate supply of indigenous crude oil. The licensed refining capacity of the three units is 5·1 million metric tons of crude oil. With the establishment of the two public sector refineries—one at Nunmati and the other at Barauni—the country would be in a position to process 8·34 million metric tons of crude oil.

2.3. According to the Refinery Agreements, the prices of refined petroleum products (for B.S.R., S.V.R.C. and C.O.R.I.L.) are based on import parity, *i.e.*, the refining companies are permitted to establish the prices of refined products at any level not higher than that at which they could sell or make available for sale equivalent imported products, subject to consultation with the Government before they alter the prices of any products. These refineries were further assured of duty protection for 10 years from the commencement of the full scale production or until 31st December 1965, whichever is earlier, as it was made out at the time of entering into the Agreements that a reasonable return on capital investment would not be available otherwise. The economics of operation of the refineries have evidently changed due to larger refining capacities compared to what was originally envisaged at the time of the relevant Agreements. In view of this, with effect from 1st October 1956, B.S.R. and S.V.R.C. gave up their duty protection on Motor Spirit. Duty protection on Diesel Oils, Furnace Oil and Bitumen was surrendered on 1st July 1959 by B.S.R., and on 15th November 1960 by S.V.R.C. Caltex surrendered duty protection on 1st October 1959, only in respect of Motor Spirit.

CHAPTER 3—History and the Trading Results of the Oil Companies

Burmah Shell

3.1.1 Burmah Shell Oil Storage & Distributing Company, incorporated as a private limited company on 6th January, 1928 in England with its registered office in London, took over the marketing operations in India of Burmah Oil Company Limited (B.O.C. Ltd.) and the Asiatic Petroleum Company (India) Ltd., now known as Shell Company of India Ltd., a wholly owned subsidiary of Shell Petroleum Company Ltd. The authorised and paid up capital of Burmah Shell is £ 10 million made up of 10 million ordinary shares of £ 1 each and is held equally by B.O.C. Ltd. and Shell Transport and Trading Co. Ltd., on behalf of the Royal Dutch Shell Group. As on 31st December 1959, the gross block was Rs. 24·68 crores and the net block Rs. 13·06 crores. The written down value, as per normal income-tax rates amounted to Rs. 12·69 crores. The management of Burmah Shell is controlled by the Board of Directors in London. In India the Board is represented by the General Manager, with Head Office in Bombay.

3.1.2 There are four Branches in India with the branch Head Offices in Bombay, Madras, Calcutta and New Delhi and each branch controls the Divisional Offices, Depots, etc., in its respective jurisdiction. The company has 7 portwise installations at Kandla, Okha, Bombay, Cochin, Madras, Visakhapatnam, and Calcutta, 24 Divisional Offices, 502 Inland Storage Depots (181 controlled directly by the company), 48 Airfield Outlets and 3,554 Retail Pump Outlets.

3.1.3 Burmah Shell's marketing area covers the whole of India including Jammu & Kashmir, except Assam, Manipur and Tripura, which area is reserved for the B.O.C. (I.T.) Ltd., a wholly owned subsidiary of B.O.C. Ltd.

3.1.4 In order to arrive at a correct assessment of the profitability, the capital employed as well as the profit earned by the Burmah Shell Group of Companies (*viz.*, the distributing company and its consignors) has been taken together. The profits (prior to provision for taxation) of the Burmah Shell Group of Companies for the years 1956, 1957, 1958 and 1959, were Rs. 8·6 crores, Rs. 8.1 crores, Rs. 8·4 crores and Rs. 7·2 crores, respectively. The relationship of profit (prior to provision for taxation) to capital employed and turnover is given below, along with the profit per gallon. The turnover includes International Bunker sales but excludes sales by Indo-Burma Petroleum Company in Burmah Shell area and sales of Colas & Wax.

	1956	1957	1958	1959
(*i*) Turnover Rs./lakhs	11357·99	12915·02	13243·18	14556·48
(*ii*) Quantity sold in equated 1000 I.G.	819896	884299	900364	940222
(*iii*) Capital employed Rs./lakhs	4510·84	5113·07	5135·00	4896·58
(*iv*) Profit prior to provision for taxation Rs./lakhs	857·76	805·21	835·43	723·58
(*v*) Percentage of profit on capital employed (*iv* ÷ *iii*)	19·02	15·75	16·27	14·78
(*vi*) Percentage of profit on turnover (*iv* ÷ *i*)	7·55	6·23	6·31	4·97
(*vii*) Profit per gallon sold (*iv* ÷ *ii*)	0·105	0·091	0·093	0·077

3.1.5 In the above calculations, due adjustments have been made for the trading activities in Assam and Goa.

3.1.6 The capital employed shown at (iii) above is composed of:

(Rs/lakhs)

	1956	1957	1958	1959
Fixed Assets	1198·64	1301·21	1321·92	1305·76
Working Capital	3312·20	3811·86	3813·08	3590·82
TOTAL	4510·84	5113·07	5135·00	4896·58
Financed by				
Share capital	1829·84	1829·84	1829·84	1829·84
Reserves and Provisions	380·09	484·65	585·03	719·19
Loans	2300·91	2798·58	2720·13	2347·55
TOTAL	4510·84	5113·07	5135·00	4896·58

Standard Vacuum Oil Company

3.2.1 The South East Division of the Standard Vacuum Oil Company is a branch of Standard Vacuum Oil Company Ltd., incorporated in New York and looks after the marketing and distribution activities in Burma, Ceylon and India. From January 1933 to November 1960, Standard Vacuum Oil Company's shares were held equally between the Socony Vacuum Oil Company, New York and the Standard Oil Company, New Jersey. Thereafter, in order to bring about more flexibility in operations and control, the entire interests in the activities of the South East Asia Division have been taken over by the Standard Oil Company, New Jersey. The accounts pertaining to India operations include the Indo-Stanvac Project (Exploration and Leasing), but exclude the Refinery Operations, for which separate accounts are prepared. The accounts of the India operations do not exhibit any separate "paid up capital", and the entire excess of assets over liabilities is transferred to the account of S.V.O.C's. overseas Head Office. S.V.O.C., New York controls the India operations and the administrative control of the marketing operations in India is exercised by the General Manager at Bombay.

3.2.2 The gross block for the India marketing operations was Rs. 11·43 crores at the end of 1959 while the net block, according to the company's books was Rs. 6·61 crores. On the basis of the normal Income Tax rates of depreciation, the written down value of the fixed assets at the end of 1959 was Rs. 6·53 crores.

3.2.3 The Head Office of the Company is at Bombay. The Company has four territorial offices at Bombay, Calcutta, Madras and Delhi. The distribution of petroleum products throughout India is carried out through a net work of 6 port-wise installations (Kandla, Okha, Bombay, Cochin, Madras and Calcutta), 126 company operated Inland Storage Depots (besides a number of agency operated depots), 21 Airfield Outlets and 1,625 Retail Pump Outlets.

3.2.4 The profits (prior to taxation) for India marketing operations (excluding exploration) for each of the four years 1956 to 1959 were Rs. 3·10 crores, Rs. 3·29 crores, Rs. 3·56 crores and Rs. 3·20 crores, respectively. The relationship of profit to capital employed and turnover is given below along with the profit per gallon. The turnover includes international bunker sales for the years 1956/58 and Hot Heavy Pitch for all the years:

	1956	1957	1958	1959
(*i*) Turnover Rs./lakhs	4913·23	5614·09	6206·01	6934·86
(*ii*) Quantities sold in equated 1000 I.G.	333,362	380,356	418,642	486,898
(*iii*) Capital employed Rs./lakhs	1543·46	1537·01	1520·54	1605·55
(*iv*) Profit prior to provision for taxation Rs./lakhs	310·30	328·95	356·33	319·51
(*v*) Perncetage of profit on capital employed (*iv*÷*iii*)	20·10	21·40	23·43	19·90
(*vi*) Percentage of profit on turnover (*iv*÷*i*)	6·32	6·86	5·74	4·61
(*vii*) Profit per gallon sold Rs. (*iv*÷*ii*)	0·093	0·086	0·085	0·066

3.2.5 The capital employed shown at (iii) above is composed of:

(*Rs. in lakh*)

	1956	1957	1958	1959
Fixed assets	635·56	679·36	644·63	661·39
Working Capital	907·90	857·65	875·91	944·16
TOTAL	1543·46	1537·01	1520·54	1605·55
Financed by :				
Account with New York Office	1551·76	1545·11	1510·38	1583·56
Reserves & Provisions	..	..	18·30	30·13
	1551·76	1545·11	1528·68	1613·69
Less applicable to Leasing and exploration	8·30	8·10	8·14	8·14
TOTAL	1543·46	1537·01	1520·54	1605·55

Caltex (India) Ltd.

3.3.1 Caltex, one of the Caltex Group of Oil Companies, incorporated in Bahama Islands started operations in India in 1937 by taking over the business of Texas Oil Company. The shares of Caltex are held by the California Texas Corporation and its nominated directors.

3.3.2 The share capital which was Rs. 26·86 lakhs till 1956 was raised to Rs. 98·15 lakhs in 1957 and to Rs. 169.44 lakhs in 1959. The gross block at the end of 1959 amounted to Rs. 9·20 crores, while the net block according to company's rates of depreciation, was Rs. 6·08 crores. The written down value at the end of 1959 would be Rs. 6·30 crores on the basis of normal Income Tax rates.

3.3.3 The Head Office is in Bombay and the four District offices are situated in Bombay, Calcutta, Madras and Delhi. The company has six port-wise installations at Kandla, Bombay, Cochin, Madras, Visakhapatnam and Calcutta. It has a net-work of 85 Inland Storage Depots at different upcountry points and 1,196 Retail Pump Outlets. The marketing area of the company covers the whole of India.

3.3.4 The profits prior to taxation during the four years 1956, 1957, 1958 and 1959 amounted to Rs. 115·25 lakhs, Rs. 92·24 lakhs, Rs. 70·15 lakhs and Rs. 12·24 lakhs, respectively. However, after making adjustments for the trading results on "extraneous sales" (c.i.f. and export sales) the profits on Inland and Bunker sales for the above four years amounted to Rs. 113·82 lakhs, Rs. 101·16 lakhs, Rs. 83.48 lakhs and Rs. 32·04 lakhs, respectively. The relationship of these profits to capital employed and turnover is given below along with the average incidence of profit per gallon:

	1956	1957	1958	1959
(*i*) Turnover Rs./lakhs	3119·00	3608·25	3962·89	4715·23
(*ii*) Quantities sold in 1000 equated I G.	211,329	227,540	250,907	293,958
(*iii*) Capital employed Rs./lakhs	804·11	1193·74	1060·56	1190·16
(*iv*) Profit prior to provision for taxation on Inland and Bunker sales Rs./lakhs	113·82	101·16	83·48	32·04
(*v*) Percentage of profit on capital employed (*iv*÷*iii*)	14·15	8·47	7·87	2·69
(*vi*) Percentage of profit on turnover (*iv*÷*i*)	3·65	2·80	2·11	0·68
(*vii*) Profit per gallon sold Rs. (*iv*÷*ii*)	0·054	0·044	0·033	0·011

3.3.5 The capital employed indicated at (iii) above is made up of:

(Rs. lakhs)

	1956	1957	1958	1959
Fixed Assets	478·62	542·75	570·78	608·27
Working Capital	325·49	650·99	489·78	581.89
TOTAL	804·11	1193·74	1060·56	1190·16
Financed by				
Share Capital	26·86	98·15	98·15	169·44
Reserves and Provisions	47·91	47·09	23·63	9·59
Loans	729·34	1048·50	938·78	1011·13
TOTAL	804·11	1193·74	1060·56	1190·16

Indo-Burma Petroleum Company Ltd.

3.4.1 I.B.P. was originally incorporated in 1909 in Burma for refining petroleum and distribution of the refined products in the Indian Empire. In 1942 the company suspended its business in Burma and got itself registered in India. After the second world war, the company resumed the trading activities in Pakistan and Burma also.

3.4.2 The paid up capital of the company is held as under:

	Rs.
(*a*) Ordinary shares Foreign 60% and Indian 40% . . .	1,00,00,000
(*b*) Preference Shares Foreign 2% and Indian 98% . .	50,00,000

The gross block as on 31st December 1959 was Rs. 100·77 lakhs and the net block Rs. 48·56 lakhs.

3.4.3 The Head Office of the company is situated at Calcutta. There are two branch offices—one at Calcutta and the other at Bombay. The company has one branch in Chittagong and another at Rangoon.

3.4.4 The Managing Agents of the Company are M/s. Steel Bros. & Co. Ltd., who hold either directly or through nominees 5,79,400 shares of the company. They also act as the agents of the company for purchases of goods outside India, selection of technical personnel for employment by the company and liaison with other oil companies. For the services rendered, they are being reimbursed actual expenses subject to a ceiling of £ 20,000 per annum.

3.4.5 The company has two portwise installations, at Calcutta and Bombay, two Inland Storage Depots at Lucknow and Shakurbasti (Delhi), 48 company owned Agency Operated Depots and 258 Retail Pump Outlets. The company also draws supplies from Burmah Shell minor installations and depots.

3.4.6 The company has entered into an agreement with the Burmah Oil Co., London for marketing in India of Oil products to a limited extent in the area served by Burmah Shell and the sales in excess of that quantity are treated as sales on consignment account on behalf of Burmah Shell, at a commission of 2½ per cent. on gross sale proceeds of all products (excepting light diesel oil for which the rate of commission is 1 per cent.) plus the charges for each function at Burmah Shell experience.

3.4.7 In respect of sales in the B.O.C. (I.T.) Ltd's area (Assam Area) the company receives supplies from the B.O.C. (I.T.) Ltd. at the latter's rate for any function through which the products pass, in addition to the cost of the products. In this area all sales are on company's own account but the volume of sales is restricted to a fixed percentage of total sales for I.B.P. and B.O.C. (I.T.) Ltd.

3.4.8 The profits prior to taxation for its entire trading activities in India, Pakistan and Burma (separate figures for India alone not

being available) for each of the four years 1956 to 1959 amounted to Rs. 28·22 lakhs, Rs. 38·42 lakhs, Rs. 22·42 lakhs and Rs. 37·81 lakhs respectively. The relationship of profit to capital employed and turnover is given below along with profit per gallon:—

	1956	1957	1958	1959
(*i*) Turnover Rs./lakhs . .	481·60	559·00	846·30	989·80
(*ii*) Quantities sold in equated 1000 I.G.	36949	43376	43793	50898
(*iii*) Capital employed Rs./lakhs .	39·72	59·49	69·21	122·29
(*iv*) Profit prior to provision for taxation Rs./lakhs	28·22	38·42	22·42	37·81
(*v*) Percentage of profit on capital employed (iv÷iii) . . .	71·05	64·58	32·39	30·92
(*vi*) Percentage of profit on turnover (iv÷i)	5·86	6·87	2·65	3·82
(*vii*) Profit per gallon sold (iv÷ii) Rs.	0·08	0·09	0·05	0·07

3.4.9 The capital employed shown at (iii) above is composed of—

(Rs./lakhs)

	1956	1957	1958	1959
Fixed Assets	32·74	44·39	48·29	48·56
Working Capital	6·98	15·10	20·92	73·73
TOTAL . . .	39·72	59·49	69·21	122·29
Financed by				
Share Capital	181·38	181·38	181·38	181·38
Reserves & Provisions . . .	112·96	114·43	122·09	133·04
Loan	8·19	6·70	8·76	8·22
	302·53	302·51	312·23	322·64
Less Investments	262·81	243·02	243·02	200·35
TOTAL . .	39·72	59·49	69·21	122·29

Burmah Oil Company (India Trading) Ltd.

3.5.1 B.O.C. (I.T.) Ltd., incorporated in Scotland on 22nd December 1939, is a subsidiary of Burmah Oil Company, London. The paid up capital of £ 5,00,000 is composed of 5,00,000 shares of £ 1 each, fully

paid up as at 31st December 1959. The company earned a premium on shares to the extent of £ 2,50,000. The gross block as on 31st December 1959 was Rs. 49·78 lakhs and the net block was Rs. 28·85 lakhs.

3.5.2 The Head Office of B.O.C. (I.T.) Ltd., is in Digboi, which looks after the sales of the Petroleum products of Assam Oil Co. Ltd., (a subsidiary of Burmah Oil Co.).

3.5.3 In addition to its trading activities in Goa the company also acts as consignors of Burmah Shell.

3.5.4 There is no main installation for this company in Assam. The main installations at Tinsukia and Digboi through which the refined products find their outlet are owned by the Assam Oil Co.

3.5.5 The Company has 5 Inland Depots (at Badarpurghat, Tinsukia, Agartala, Pandu and Silchar); 99 Retail Pump Outlets and 6 Airfield Outlets. Badarpurghat depot is directly operated by B.O.C. (I.T.) Ltd., Tinsukia Aviation Depot is owned and operated by A.O.C. for B.O.C. (I.T.) Ltd. and the remaining three depots at Agartala, Pandu and Silchar are operated by Agents on behalf of B.O.C. (I.T.) Ltd.

3.5.6 The profits prior to taxation of B.O.C. (I.T.) Ltd. for its entire trading activities in India and Goa for each of the four years 1956 to 1959 amounted to Rs. 78·96 lakhs, Rs. 61·81 lakhs, Rs. 156·54 lakhs and Rs. 83·85 lakhs, respectively. The relationship of profits to capital employed and turnover is given below along with profit per gallon: —

	1956	1957	1958	1959
(*i*) Turnover Rs/lakhs . . .	1375·76	1536·97	1524·35	1554·04
(*ii*) Quantities sold in equated 1000 I.G.	220163	247274	252940	278496
(iii) Capital employed Rs./lakhs .	157·47	128·72	192·28	160·83
(*iv*) Profit prior to provision for taxation Rs/lakhs	78·96	61·81	156·54	83·85
(*v*) Percentage of profit on capital employed (iv ÷ iii) . . .	50·14	48·02	81·41	52·14
(*vi*) Percentage of profit on turnover (iv ÷ i)	5·74	4·02	10·27	5·40
(*vii*) Profit per gallon sold Rs. (iv ÷ ii)	0·036	0·025	0·062	0·030

3.5.7 The capital employed shown at (iii) above is composed of—

(Rs./lakhs)

	1956	1957	1958	1959
Fixed Assets	19·28	22·86	25·86	28·85
Working Capital	138·19	105·86	166·42	131·98
TOTAL	157·47	128·72	192·28	160·83
Financed by				
(*i*) Share Capital	66·78	66·78	66·78	66·78
(*ii*) Share Premium	33·39	33·39	33·39	33·39
(*iii*) Reserves & Provisions	57·30	28·55	92·11	60·66
(*iv*) Loans	..	..	..	..
TOTAL	157·47	128·72	192·28	160·83

Western India Oil Distributing Company Ltd.

3.6.1 W.I.O.D.C., was incorporated as a public limited company in the year 1932 in Bombay, with the object of carrying on business in Petroleum products and was mainly dealing in Motor Spirit, Light Diesel Oil and Furnace Oil, till 1941. Its installations were taken over by the Government of India in 1941 for Defence purposes, on a monthly compensation of Rs. 2,300, and were returned to it in 1949; but till about 1953, the company could not raise adequate finance to carry on normal business. The trading activity was resumed in 1954 with some financial assistance but could not continue for long due to certain internal troubles. The company started regular trading from 1957 after entering into an agreement with M/s. N. P. Patel & Co., Private Ltd., who are at present financing the company for all its imports. It is understood that the financiers have also subscribed Rs. 12·50 lakhs towards the share capital of the company in 1960.

3.6.2 The authorised capital of the company, which was Rs. 50 lakhs prior to 1957, was reduced to Rs. 12·50 lakhs in that year by a special resolution reducing the nominal value of the shares from Rs. 100 to Rs. 25 each. The authorised capital in 1958 stood at Rs. 12·50 lakhs, which was again raised in 1959 to Rs. 25 lakhs by the addition of 50,000 ordinary shares of Rs. 25 each. The subscribed capital as on 31st December 1959 was Rs. 12,19,857. The gross block including the appreciated value as at the end of 1959 was Rs. 21·96 lakhs and the net block Rs. 12·33 lakhs. The written down value as per the normal Income Tax rates of the block at original cost excluding the appreciated value would be Rs. 7·21 lakhs.

3.6.3 The Head Office is situated in Bombay. The Company has two port-wise installations at Bombay and Madras; a branch office at Madras and four Inland Storage depots at Ahmedabad, Itwari,

Sahadra and Secunderabad. Normally supplies to all the depots and States of U.P., Punjab, Gujarat and Madhya Pradesh are made from Bombay, while supplies to South Indian States are made from its Madras Installation.

3.6.4 The profits prior to taxation during the three years 1957, 1958 and 1959 amounted to Rs. 2·94 lakhs, 8·99 lakhs and 13·29 lakhs, respectively. The relationship of profit prior to taxation to capital employed and sales turnover and the incidence of profit per gallon of sale are indicated below:—

	1957	1958	1959
(*i*) Turnover Rs./lakhs	43·06	92·08	151·00
(*ii*) Quantities sold in equated 1000 I.G.	3838	8418	13543
(*iii*) Capital employed Rs./lakhs	6·06	11·81	16·71
(*iv*) Profit prior to provision for taxation Rs./lakhs	2·94	8·99	13·29
(*v*) Percentage of profit on capital employed (iv÷iii)	48·56	76·11	79·54
(*vi*) Percentage of Profit on turnover (iv÷i)	6·84	9·76	8·80
(*vii*) Profit per gallon sold Rs./(iv÷ii)	0·077	0·107	0·099

3.6.5 The capital employed shown at (iii) is made up of

(Rs./lakhs)

	1957	1958	1959
Fixed Assets	2·55	4·19	3·20
Working Capital	3·51	7·62	13·51
TOTAL	6·06	11·81	16·71

Indian Oil Company Ltd.

3.7.1 I.O.C., a wholly Government undertaking with an authorised capital of Rs. 12 crores, was incorporated on 30th June, 1959, for the marketing and distribution of petroleum products in the country. This Company will take up at refinery points, the products of the two public sector refineries being set up by the Indian Refineries Ltd. (a public undertaking), one at Nunmati in Assam and the other at Barauni in Bihar. The Company will also handle part of imports of deficit petroleum products, such as Kerosene, High Speed Diesel Oil, etc.

3.7.2 Upto 31st December 1960, I.O.C., had only two Main Installations—one at Bombay (with a capacity of 12,000 long tons), and the other at Cochin (with a capacity of 6,000 long tons).

3.7.3 The Company had no trading in 1959; and no profit and loss account is available.

CHAPTER 4—Pricing Procedure In The Past

4.1 Though petroleum and petroleum products come within the definition of "essential commodity" under the Essential Commodities Act, 1955 (No. 10 of 1955), their prices are not statutorily controlled The oil companies were, in the past, fixing the prices of petroleum products after consultation with the Government. With effect from 1st April 1950, the basic selling prices of all the major petroleum products, except Bitumen and Lubricants, marketed in India were governed by an agreement known as Valued Stock Account (V.S.A.) procedure, entered into by Burmah Shell with the Government. According to the V.S.A. formula, the prices for all Bulk Refined Petroleum products were determined by adding (i) f.o.b. Ras Tanura (formerly U.S. Gulf) price on date of loading; (ii) ocean freight from Ras Tanura to Indian port, or ports, of despatch irrespective of actual source of supply; (iii) Marine and War Risk Insurance on insurable value; (iv) Ocean Loss; (v) Remuneration at 10 per cent. on c.i.f. plus charges post-c.i.f. (excluding duty, rent and hire on facilities, rail freight and sales tax); (vi) Import duty; (vii) Interest and Del Credere on duty at 2½ per cent.; and (viii) charges from c.i.f. to ex-installation/local pump. The V.S.A. Agreement was subject to termination at 6 months' notice on either side and related to Government purchases only; but Burmah Shell charged the other consumers the same price as applicable under the said Agreement (except certain extra concessions to Government on bulk purchases). The other oil companies had no such formal agreement with Government but continued to charge the same prices as Burmah Shell.

4.2 Burmah Shell maintained Valued Stock Account for each product to which were debited all the sums relating to the cost of oil sold in terms of the agreed price formula. Credits to the account were made on valuing the quantities sold at the basic bulk selling rates in force at the time of sale. In respect of each product, Burmah Shell submitted to the Director General, Supplies and Disposals, a certificate to the effect that the V.S.A. for the product concerned had been prepared on the basis of the agreed price formula and that all over/under recoveries were correctly accounted for. All over/under recoveries (from whatever cause) as disclosed by the V.S.A. were carried forward and adjusted in the future prices. While the true position of V.S.A. could be ascertained only after the close of each year, Burmah Shell estimated the position of the over/under recoveries from time to time and adjusted the selling prices to keep the account, as far as possible, in balance. The basic selling prices fixed, as above, from time to time operated as the ceiling prices till the next revision.

4.3 The V.S.A. Agreement did not provide for audit by Government of the V.S.A. We were unable to judge the propriety or otherwise of the quantum of the various post c.i.f. charges included in V.S.A., on account of the absence of material for this purpose.

4.4 In August 1957, the Government decided that the then existing pricing procedure, including the V.S.A. Agreement, should be revised and replaced by a new Agreement. It was also decided that the broad basis for pricing should be actual (and not assumed) cost plus reasonable profit. Negotiations were actively pursued with Burmah Shell (which was the price leader for petroleum products as well as the contracting party under V.S.A. Agreement) and also with the other oil companies. In May 1958, after protracted discussions, the Valued Stock Account Procedure, which governed the basic selling prices of principal petroleum products, was terminated by mutual consent of the parties. The marketing companies were informed in May 1958 that the Government considered it necessary to examine the quantum and propriety of all charges (from f.o.b. point through c.i.f. to company's selling point) included by them in their selling prices of each product. It was also proposed that the intended examination, and the new price formula to be evolved, should cover all products marketed in, or from, this country by all companies. In the meantime, on a purely *ad hoc* basis, Government accepted the *ad hoc* reductions in prices Burmah Shell had proposed and informed all the oil companies that if, on the evolution of a new price formula, it was later found that the *ad hoc* reductions should have been on a different scale, or there should have been reduction also in the prices of other products, retrospective adjustments would be made in future prices or in any other manner that might be later agreed upon. The *ad hoc* reductions in prices were mopped up by Government through the imposition of additional (non-recoverable) excise and customs duties payable by the companies with effect from 20th May 1958. The selling prices chargeable to the consumers remained unchanged. The *ad hoc* reductions were to remain in force until the new price formula was evolved, subject only to movement in the c.i.f. elements.

4.5 The Chief Cost Accounts Officer of the Government of India was deputed by the Government to conduct the necessary examination and make his detailed proposals regarding the new price formula. He submitted his Report to the Government on 28th March 1959 in respect of Bulk Refined Products and Bitumen (excluding Lubricants, Greases, Chemicals and Specialities as no details thereof could be had from the companies).

4.6 The oil companies did not agree to the price reductions suggested in the report. In the discussions that ensued, the individual companies made several proposals which, by stages, represented some advance over the previous proposals. Finally, the three major oil companies submitted a revised proposal jointly agreed between them on 18th September 1959. As a result of further discussions, it was found that an agreement could be reached on the basis of a pragmatic approach without prejudice to the views held by the Government or by the oil companies on the basic principles. Based on the joint proposal made by the companies, an *ad hoc* agreement was eventually reached in October, 59 with the three major oil companies. This arrangement was also applicable to the other distributing companies insofar as it concerned them.

4.7 The *ad hoc* price agreement covered the period 1st April 1959 to 31st March 1961 (since extended to 31st August 1961), subject only to adjustment on account of c. & f. The companies are maintaining a running account to reflect the variations in c. & f. movements. Such an account is maintained for each product concerned and the balance for any particular product could be offset and/or adjusted with the other products once a quarter. The adjustments are made by changing either prices or effective rates of additional (non-recoverable) duty (as Government may decide) and in no event was the balance in the c. and f. Adjustment Account permitted to exceed a figure of Rupees twenty lakhs. The *ad hoc* price agreement excluded from its purview, prices at which deliveries are made for exports, International bunkers, coastal bunkers supplied at International rates and to International Airlines. It superseded the terms of any price Agreements (regarding prices or price structure of petroleum products) entered into by the signatory oil companies with the Government, whether individually or jointly, or whether during or prior, to the discussion resulting in this agreement without prejudice to the terms and conditions of the existing agreements relating to the establishment and operation of the Burmah Shell and S.V.O.C. Refineries at Trombay and the Caltex Refinery at Visakhapatnam.

CHAPTER 5—Cost Of Imported Crude Oil

5.1 The Committee has been asked to examine and report upon the cost at which crude oil can be imported. The Refinery Agreements concluded by the Government of India with the three major oil companies, contain the assurance that for importation of crude oil foreign exchange, either Sterling or Dollars, will be provided as required. The Refinery Agreements of the three companies further provide as follows:—

Burmah Shell

(i) The signatory oil companies are given freedom to make their own arrangements for the import of crude oil for the Indian Refinery.

S.V.O.C.

(ii) All purchases of crude oil are to be made at world market prices prevailing at the time and place of shipment with freedom of choice as to the source of supply. The crude oil is expected to originate from the Persian Gulf Area.

Caltex

(iii) The Company is allowed to purchase crude oil at world market prices prevailing at the time and place of shipment with freedom of choice as to the source of supply.

5.2 In addition, the Refinery Agreements also contain further assurance to the effect that no import duty will be imposed on crude oil imported for the refinery unless and until this is required for the purpose of protection to indigenous crude oil. Assurance is also given for regulation of the inward and outward wharfage rates on crude oil and products. By virtue of another assurance provided uniformly in the three Refinery Agreements, the Refineries have to be kept at par and in the event of any other refinery producing similar products from imported crude oil being granted terms generally more favourable than those granted to a particular refinery, those terms will be made applicable to the other refineries also.

5.3 The cost of crude oil will generally depend on the following factors:—

(i) Arrangement of the coastal refineries (or their marketing associates) with their suppliers of crude oil;

(ii) Manner of determination of prices of crude oil;

(iii) Discounts prevalent from time to time on the posted prices of crude oil at the respective sources of supply;

(iv) Utilisation of alternative sources of supply of crude oil; and

(v) Selection of the type of crude oil which is to be processed.

5.4 The selection of the type of crude oil to be obtained for processing at any refinery is mainly dictated by (a) the price of crude

oil, (b) refinery design, and (c) the outlets for the products manufactured. The considerations at (b) and (c) being somewhat of technical nature, our investigations were concerned mainly with the cost aspect [and the factors influencing it as at (i) to (iv) above] of the crude oil selected by the coastal refineries to suit their individual requirements.

Burmah Shell

5.5.1 (i) **Arrangement with its suppliers of crude oil.**—In terms of the Refinery Agreement of 15-12-1951 concluded with the Government of India, the Anglo-Saxon Petroleum Co. Ltd., (a member of the Shell group of oil companies) and the Burmah Oil Company Ltd., promoted a public company in India (*viz.*, Burmah Shell Refineries Ltd.) to own and operate the refinery erected at Trombay Island in Bombay. The Anglo-Saxon Petroleum Company Ltd., has since been converted into Shell Tankers Ltd.

5.5.2 B.S.R. refines crude oil sent to it by its consignors shown in column 1 below, who obtain their requirements from those shown in column 2 below:—

Consignor	*The parties from whom purchaseer are made by the consignor*
1. Shell Company of India . .	Shell International Petroleum Co.
2. B.P. (India) Ltd. . . .	B.P. Trading. Limited
3. B.O.C. (I.T.) Ltd. . .	Shell International Petroleum Co. Ltd., B.P. Trading Ltd., (Through Petroleum Supplies and Services Limited).

Each of the consignor companies supplies 1/3rd of the total quantity of crude oil refined at B.S.R in any given period. Their trading is confined to India only and they do not supply crude oil to any customer outside India. This crude oil and the resulting refined petroleum products remain the property of the consignor companies throughout the refining process. Light Iranian crude oil only is processed at present at the B.S.R. The parties mentioned in column (2) above are not themselves original producers/suppliers of crude oil, but they obtain their requirements from an associated company in Iran, the name of which has not been disclosed to us. Burmah Shell has confirmed on specific enquiry that it does not possess detailed knowledge of the terms on which crude oil is acquired in Iran, as its transactions are confined to the consignor companies only. This arrangement is stated to be of indefinite duration and covers its entire requirements of crude oil. No spot purchases are made. The arrangement in question is, however, not set out in any formal written document between Burmah Shell/B.S.R. on the one part and the three consignor companies, on the other, but such arrangements are reported to arise from the rights and obligations contained in the 1951 Refinery Agreement with the Government of India.

Burmah Shell maintains that any revocation or modification of this arrangement would also be governed by the rights and obligations contained in the said Agreement. It will be noted that supplies consigned to B.S.R. on behalf of B.O.C. (I.T.) Ltd are not obtained by the parties mentioned in column (2) above directly from the suppliers, but that such procurement is arranged through Petroleum Supplies and Services Ltd. This company receives no fees or gratification for this service. The purpose in having the Petroleum Supplies and Services Ltd. as an intermediary, is to enable the B.O.C. (I.T.) Ltd,, to have the advantage of Overseas Trade Corporations' status under the U.K. Income Tax Statutes.

5.5.3 (ii) **Manner of determination of prices of crude oil.**—Burmah Shell has stated that prices are based on the posted prices for crude oil obtaining in the Persian Gulf and fluctuate with changes thereof and general price changes are automatically reflected in the posted prices. Burmah Shell claims that prices charged are in line with those charged to other customers for regular large scale supplies of oil of comparable quality. It is also claimed that the comparatively low price of Middle East crude oil, the short freight haul from the Persian Gulf and the discount given from 1-6-1960, make the final delivered price to India relatively favourable and low compared to prices of supplies from other areas in the East.

5.5.4 (iii) Discount on crude oil.—It has been stated by Burmah Shell that the present discount on supplies of crude oil to India in force from 1-6-1960 is equal to 8 per cent. approx. on c. & f. cost and that this discount was given after representations had been made by it to its suppliers. In its opinion this rate of discount fairly reflects the present state of the crude oil market in the regular large scale supply of oil of comparable quality.

5.5.5 It will be interesting to know the method followed by Burmah Shell for payment of imports of crude oil. The Shell Company of India purchases crude oil f.o.b. from Shell International Petroleum Company and these transactions are financed out of the Shell Company of India's share of the nett proceeds from sales in India remitted by Burmah Shell.

5.5.6 Similar arrangements exist between B. P. (India) Ltd., and B. P. Trading Limited.

5.5.7 Insofar as B.O.C. (I.T.) Ltd., is concerned, its share of crude oil is purchased f.o.b. Persian Gulf from Shell International Petroleum Company Ltd., (S.I.P.C. Ltd.) and from B. P. Trading Ltd. by Petroleum Supplies and Services Ltd. (P.S. & S. Ltd.) (a 100 per cent. Sterling Subsidiary of the Burmah Oil Company Ltd.), which is the purchasing agency in the U.K. for the B.O.C. group of companies. P.S. & S. Ltd., is invoiced by S.I.P.C. Ltd., and by B.P. Trading Ltd., and P.S. & S. Ltd. in turn, invoices B.O.C. (I.T.) Ltd., at the same f.o.b. cost. P.S. & S. Ltd., makes payment to S.I.P.C. Ltd., and B.P. Trading Ltd., for the amounts so invoiced. B.O.C. (I.T.) Ltd., consigns the crude oil to Burmah Shell, Bombay, and out of its share of remittances by Burmah Shell to London, payments for crude oil are made by B.O.C. (I.T.) Ltd., to P.S. & S. Ltd. Invoices for freight to Bombay are received and paid in London on behalf of B.O.C. (I.T.) Ltd., by P.S. & S. Ltd.

5.5.8 Burmah Shell to whom the crude oil supplies are consigned, establishes remittance entitlement for such supplies with the Reserve Bank of India. Although for accounting purposes the oil is consigned to Burmah Shell, delivery is taken at the Refinery by B.S.R., who processes the crude into finished products in return for a processing fee, and delivers such finished products to Burmah Shell for sale through its marketing organisation.

Standard Vacuum Oil Company

5.6.1 (i) **Arrangements with its suppliers of crude oil.**—In terms of the Refinery Agreement of 30-11-1951, concluded with the Government of India, the Standard Vacuum Oil Company, promoted a public company in India (*viz.*, Standard Vacuum Refining Company of India Ltd.) to own and operate the refinery erected at Trombay Island in Bombay.

5.6.2 To feed this refinery, crude oil purchases are made on monthly forward forecasts, subject to confirmation within 30 days of actual receipt. These arrangements are made through/with affiliated companies of S.V.R.C., *viz.*, Esso Export Corporation and Mobile Transport Inc., through Standard Vacuum Oil Company, New York and its affiliate, Standard Vacuum Service and Supply Ltd., London, and cover the entire requirements of crude oil of S.V.R.C. These parties are not the original Suppliers/producers whose names have not been disclosed to us. No spot purchases are made. The arrangements in question were concluded at the time of the setting up of the Refinery in 1954 and are on a continuing basis. The arrangements are of an informal character only and have not been reduced to writing. There is nothing in these arrangements between S.V.O.C. and its Suppliers refering to prices that may be charged by such Suppliers to other customers, but S.V.O.C. claims to be watchful of the advantages that might be obtained elsewhere.

5.6.3 (ii) **Manner of determination of prices of crude oil.**—The arrangements of S.V.R.C. provide for prices that fluctuate with posted prices and, therefore, price changes applicable to the general trade are applicable between S.V.R.C. and its Suppliers. S.V.O.C. maintains that its Suppliers have done an excellent job in keeping crude oil costs competitive with others. While it might be possible that short term marginal sales have been made at prices below those available to it, the company is certain that its purchases of crude oil are being made at prices which are more favourable than those charged from many others.

5.6.4 (iii) **Discounts on crude oil.**—It has been claimed that neither S.V.R.C. nor S.V.O.C., nor any of their subsidiaries make any profit by the purchase and sale of crude oil. Until July 1960, S.V.O.C. was unable to receive any discounts on the posted prices in the Middle East. It is claimed that the discount available at present has been truly and fully reflected in the invoices received and paid by it and accounted for in its foreign exchange allocations. The types

of crude oil at present processed at the S.V.R.C. and the discounts available are given below:—

Crude	*Loading Port and Country*	*Remarks*
Aramco	Ras Tanura (Saudi Arabia)	Discount of £0.19 per bbl. available to S.V.R.C.
Safaniya . . .	Do.	Discount of £0·16 per bbl. available to S.V.R.C.
Iranian	Bandar Mashur (Iran)	..
Qatar	Umm Said (Qatar)	Discount of £0 19 per bbl. available to S.V.R.C.
Lirik	Tanjong Uan (Indonesia)	..

5.6.5 On the whole, these discounts amount to about 8 per cent. of c. & f. cost.

5.6.6 Crude oil, imported from Sterling sources is purchased by Standard Vacuum Service and Supply Ltd., London (S.V.S.S.). Payment to S.V.S.S. is effected by Sterling remittance from India against foreign exchange entitlements on S.V.O.C's exchange slate under the control of the Reserve Bank. S.V.S.S. acts as intermediary and it renders the following services:—

(a) Location of a suitable source of supply.

(b) Arrangement of shipping.

(c) Payment to suppliers.

(d) Billing amounts payable by S.V.R.C.

(e) Short term financing.

5.6.7 It has been stated that it charges a nominal fee for its services and makes no profit on the purchase and re-sale of crude oil.

Caltex (India) Limited

5.7.1 (i) **Arrangements with its suppliers of crude oil.**—In terms of the Refinery Agreement of 28th March 1953 concluded with the Government of India, Caltex (India) Ltd., through a public company incorporated in India [*viz.*, Caltex Oil Refining (India) Limited] (C.O.R.I.L.) has erected a refinery in Vishakhapatnam.

5.7.2 Requirements of crude oil for this refinery are imported from the Persian Gulf and from Indonesia through Caltex Trading and Transport, as Agents for Caltex (U.K.) Ltd. This arrangement covers its entire requirements of crude oil and is laid down in the Purchase Agreement with its Suppliers, dated 1st January 1957, covering both sources of supply and terminates on 31st December 1976. It contains no provision for modification or termination earlier by agreed notice. No spot purchase of crude oil is made. Caltex Trading and Transport Co. is not the original producer or supplier. Their names have not been disclosed to us.

5.7.3 (ii) **Manner of determination of prices of crude oil.**—The purchase agreement provides that the price of crude oil will, in all cases, be the Suppliers' export price to the general trade in effect from time to time at the ports of loading on the date the vessel commences to load. The company claims that the price is never higher than the lowest price published in Platts' Oilgram for crude oil of similar quality from the same sources. No fees are paid to Caltex Trading and Transport Co., for this service.

5.7.4 (iii) **Discount on crude oil.**—The Suppliers of Caltex have given from August 1960, a temporary indulgence by way of discount of about 8 per cent. on supplies of Iranian crude oil, which has been fully reflected as foreign exchange reduction in their invoices; but no such discount has been given on Indonesian crude oil. It is the company's understanding that the type of Minas crude oil that is imported by it from Indonesia is not being discounted anywhere.

5.7.5 In regard to the manner of payment, Caltex has explained that invoices are prepared in London and submitted immediately after each shipment. The value of the amounts billed is set up as Sterling liability to the Supplier on the books of Caltex (India) Ltd., and payments are made through the Reserve Bank of India in the normal course. The ultimate cost of crude oil is determined on the basis of the Suppliers' price to Caltex (India) Ltd.

5.8 The Refinery Agreements give freedom to the Oil Companies to make their own arrangements for import of crude oil, and these would entitle them either to enter into formal written agreements with their Suppliers or to depend on informal arrangements only for continuous and satisfactory supplies of crude oil at competitive rates. We fail to see why the companies cannot deal directly with the original producers/suppliers of crude oil, or furnish precise information regarding the names of such original producers/suppliers. The oil companies (*viz.*, Burmah Shell, S.V.O.C. and Caltex) operating the coastal refineries in India, with their world-wide connections, should normally be capable of dealing directly with the Consortium operating in Iran in which their principals have interest, in respect of supplies obtained through that source, and also with the original producers/suppliers at other places.

5.9 In all cases, the procurement of crude oil is arranged by the oil companies through one or more intermediaries, to whom they pay no remuneration for the service rendered, except nominal charges paid in this regard by S.V.O.C. We have dealt with this separately in para 6.16 of the Report. The Oil Companies do not have access to the invoices of the original producers/suppliers of crude oil and remittances of foreign exchange are settled by them on the basis of the invoices of their immediate consignors, who are not the original producers/suppliers of crude oil. In such a situation, it is difficult to know precisely what transpires between the original producers/suppliers and the immediate consignors and how their relations are governed in regard to remuneration on transactions passing through their hands.

5.10 Remittance of foreign exchange on the basis of the invoices of the immediate consignors only would not be conducive to absolute control, without a reasonable basis of satisfaction that such invoices represent no more than the true prices paid for purchases of crude oil at the source of supply. Although the importing firms claim that they are invoiced at such rates only at which supplies are initially obtained, in the absence of a tangible proof of such position, one is inclined to believe that the most economical use may not have been made in all cases of the foreign exchange made available to them for this purpose in terms of the assurance in the Refinery Agreement.

5.11 If the entire role of the intermediary firms (such as the Shell International Petroleum Co. Ltd., B. P. Trading Ltd., Esso Export Corporation, Mobil Trade and Transport Inc., etc.,) is merely to perform intermediary functions in procurement of supplies, it is difficult to appreciate how they could subsist without charging some sort of commission on transactions passing through their hands.

5.12 According to the oil companies, their prices of crude oil are invariably based on the lowest postings of the Persian Gulf and other supply areas, subject to such discounts that they have been able to obtain from their Suppliers from the dates indicated in their replies. We are inclined to believe on the authority of well-known publications in the oil trade that the persistent world surplus of producing capacity (actual and potential) aided by a surplus of refining capacity which sharpened competition in the final marketing of products from which crude oil buyers derive their income, has led to the gradual lowering of the average selling prices of crude oil and consequently the posted prices are no longer the last word in all cases, and widespread discounting of such prices is reported to be taking place. Although discounts off posted prices are reported to have been traditionally granted, particularly where new outlets were being opened up, in recent times such discounts have tended to increase in size and to become more widespread. There is reason to believe that the posted prices have now virtually become the starting point for bargaining for discounts. In such a situation, it is gratifying to note that the oil companies have been successful to the extent of the current discounts in their bargaining with their Suppliers.

5.13 The oil companies consider it a coincidence that their offer of discount on crude oil was made at about the same period when the offer of Russian crude oil for processing at the coastal refineries in India was being discussed with them by the Government. The oil companies did not accept this offer on account of the freedom allowed to them in the Refinery Agreements in regard to choice of source of supply of crude oil. One cannot fail to recognise that the competition generated by this offer influenced their suppliers in their final decision to allow discount at the current rates. On account of the traditional nature of the discounts, it should normally have been possible for the oil companies to successfully bargain for discounts off posted prices with their Suppliers long before the offer of the Russian crude oil was made to them. We are supported in this belief by the statement of Mr. E. G. Lindroth, Senior Vice President for Finance and a Director of Esso Export (quoted in the article entitled 'Discounts Break Middle East Prices' appearing in the Oil and Gas

Journal of 15th August 1960) to the effect that the study of the market made by his company indicated that discounts were being granted for large and increasing volume of oil and the amount and duration of discounted sales contracts was increasing along with the size of the discounts. Reports have also appeared persistently in Platts' Oilgram, and other acknowledged publications, of the continued prevalence of discounts off posted prices in the Persian Gulf, particularly on sales to Japan, Brazil, etc., which some of the oil companies have attributed to special set of conditions in a limited area. We have also come across reports, such as "Domestic oil is Rebounding Analysts Agree" which appeared in the Oil and Gas Journal of 7th November 1960, that sales were being made at 25 cents a barrel below the market. Although we recognise that individual reports of discounts may not always be indicative of the true nature of the world market, yet the prevalence of such discounted sales (so frequently reported) cannot fail to influence the market in general and we would normally expect the oil companies, not only to continue to press on their Suppliers for the granting of discounts off posted prices in future, but also to increase the quantum thereof, consistent with the market trends prevailing from time to time.

5.14 In regard to Minas crude oil from Indonesia on which no discount has been obtained so far by Caltex, it is considered that the prevalence of discounts in the Persian Gulf, Venezuela and the Western Hemisphere in general and the offer of discounted sales in consuming centres in the proximity of Indonesia (such as Japan) cannot normally fail to influence the Indonesian market. It should, therefore, be possible for Caltex to obtain discount on Minas crude oil also. This company has stated that Minas crude oil is being processed by it particularly to supply Low Sulphur Fuel Oil required by the Indian Steel Industry. By using this crude oil, Caltex draws certain advantages—one of the end products of Minas crude oil (*viz.*, Low Sulphur Fuel Oil) is exempted from payment of non-recoverable additional excise duty and further on supplies of this product, it charges a premium of 10 cents a barrel over Furnace Oil. In view of all these considerations, the company should press on its Suppliers for equivalent discount on purchase of Minas crude oil or consider the discontinuance of the use of this oil in favour of a discounted crude oil from the Persian Gulf, unless the Government is satisfied that the continued use of Minas crude oil is advantageous to the over-all economy and conducive to saving in foreign exchange in regard to finished products.

5.15 In para 5.3, we referred to the alternative source of supply of crude oil also being one of the factors influencing the price thereof. The utilisation of an alternative source of supply of crude oil is again hedged in by the provision in the Refinery Agreement giving freedom of choice to the companies as to the source of supply. In the case of the S.V.O.C. only the Refinery Agreement provides that crude oil will, most likely, originate from the Persian Gulf area. The freedom of choice as to the source of supply may be considered to be qualified by the stipulation (or the normal expectation in such cases) that purchases will be made at the 'world market prices'. In the determination of 'world market prices', the offer of Russian crude oil to different countries in the Eastern and Western Hemisphere at very

attractive discounts off posted prices in the Persian Gulf (in many cases with ocean freight also as from the same source, *i.e.*, Persian Gulf) cannot be totally ignored. The Russian source is a recent development in the world market and naturally the same could not be envisaged at the time the Refinery Agreements were concluded. The Government of India have demonstrated their willingness to fulfil their obligations in terms of the Refinery Agreements by not insisting on utilisation of Russian crude oil by the coastal refineries even if the same was available at attractive discounts. We consider that the oil companies should recognise the advent of a new set of circumstances, in a long term agreement of this nature, and not insist on import of crude oil from sources of their own choice only, so long as the profitability of the refineries is not affected. Even if they must do so, on account of their commitments to their overseas suppliers, we would not insist on utilisation of crude oil from a particular source, but would expect the companies to press on their suppliers for equivalent discounts, as available to India on a long term continuous basis on imports of the same quality from other than the traditional sources.

5.16 The cost of crude oil is an integral factor in the establishment of world market prices of refined products. This was clearly demonstrated by simultaneous reduction in the posted prices of finished products when crude oil prices were reduced in August, 1960—*vide* Platts' Oilgram Price Service No. 159 of 16th August 1960. Therefore, if discounts on posted prices of crude oil were available, they should in, more or less, equivalent measure be reflected in the pricing of the end-products. In terms of the Refinery Agreements, the prices of the refinery products are determined on the basis of import parity, which does not take into account, at present, the discounts available from time to time, on posted prices of crude oil, and the benefit of the discounts is absorbed by the refineries/consignors, without corresponding gain to the consumers. This has enhanced the margin between the prices of crude oil and the ex-refinery prices of products at import parity above the expectation envisaged at the time of the conclusion of the Refinery Agreements. According to the companies themselves, the practice of discounting of crude oil postings is of recent origin. Undoubtedly, the discounting has resulted from surplus producing capacity developed over the last few years. In fairness, the benefit of such discounts on crude oil, which is the principal raw material used in refining, should be adequately reflected by the lowering of the prices of end-products. We will revert to this question in chapter 6 relating to the pricing of refined products.

5.17 The availability of discounts on crude oil should be taken into account while allocating foreign exchange to the oil companies for import of crude oil.

CHAPTER 6—Cost of Refined Petroleum Products

6.1. The Refinery Agreements with the three major Oil Companies contain the following assurances:—

(a) (i) **Burmah Shell:**

"The Government will permit the Oil Companies to establish the prices of the refinery products from time to time at any level not higher than that at which they sell, or could make available for sale equivalent imported products."

(ii) **Standard Vacuum Oil Company:**

"The Government will permit the Indian Company to establish the prices of products ex-refinery from time to time at any level not higher than the Bombay landed cost."

(iii) **Caltex:**

"The Government will permit Caltex to establish the prices of the refinery products from time to time at any level not higher than that at which Caltex sells, or could make available for sale equivalent imported products."

(b) Further, the companies have also been assured that if any other refinery producing similar products from imported crude oil is granted terms, which are generally more favourable than those granted to any one of these refineries, those terms will also be made applicable to the other refineries.

6.2 On the principle of 'import parity', laid down in the Refinery Agreements, the prices of products ex-refinery should not be higher than the landed cost in India, *i.e.* such prices shall be the ceiling.

6.3. The question then is how to determine the landed cost. The language used in the Agreements relating to the prices at which the companies will be permitted to sell, is different, but there is an over-riding assurance to all companies that in the matter of privileges they will be treated on terms of equality. Therefore, while interpreting the term import parity, the same principle will be uniformly applied in all cases.

6.4 The landed cost of imported products will depend, as in the case of Crude Oil, on the following:

(i) Arrangement of the oil companies with their Suppliers of finished products.

(ii) Manner of determination of prices of Bulk Refined Products.

(iii) Discounts prevalent from time to time on the posted prices of Bulk Refined Products at the sources of supply.

(iv) Alternative sources of supply for import of such products.

6.5. The arrangements of the different Oil Companies in this regard are as follows:—

(A) Burmah Shell:—

6 5.1 **(i) Supplies of deficit refined products and manner of payment.**—Burmah Shell does not own the products which it markets; they remain the property of the consignor companies indicated in column (1) below, who obtain supplies from the parties indicated in column (2) below:—

Consignors	*The parties from whom purchases are made by the Consignor*
(*i*) Shell Company of India . . .	Shell International Petroleum Company Limited.
(*ii*) B.P. (India) Ltd. . . .	B.P. Trading Limited.
(*iii*) B.O.C. (I.T.) Ltd. . . .	Shell International Petroleum Co Ltd., and B.P. (Trading) Ltd. (through Petroleum Supplies and Services Ltd.)

Each of the Consignor companies supplies 1/3rd of the total requirements of petroleum products and no spot purchases of petroleum products are normally made. These arrangements were made as a result of an Agreement concluded in 1928, which took effect from 1st January of that year and are subject to two years' notice. The Agreement is in the form of a formal written document and is applicable to all the three consignors. The products remain the property of the three companies referred to in column (1) above and Burmah Shell receives an agent's commission, which is deducted from the proceeds of the sale of products, at the rate of 2½ per cent for petroleum products, except Fuel Oil, for which the rate is 1 per cent These rates of commission have been in force since the incorporation of Burmah Shell in 1928. The parties shown in column (2) above are not the original producers/suppliers of refined petroleum products. The majority of products of the Shell International Petroleum Co., come originally from Abadan and are acquired by this Company from an Associated Company in Iran (whose name is not disclosed). Occasionally, for reasons of quality or shortage of supply in the Persian Gulf, Shell International Petroleum Co., has had to purchase products, e.g., Kerosene, from the Caribbean, and freight them to India, only charging Shell Company of India the lowest Abadan posted prices plus freight from Abadan. Caribbean posted prices are stated to be generally appreciably higher than Abadan postings. B. P. Trading Ltd., supplies products to India only when such products are not available from its Associated Companies east of Suez (whose names are not disclosed).

6.5.2 B.O.C. (I.T.) Ltd. obtains its supplies through Petroleum Supplies & Service Ltd. (P.S. & S Ltd.), which is the purchasing agency in U.K. for B.O.C. group of companies. P.S. & S. Ltd. buys products on equal basis from Shell International Petroleum Co. Ltd. and B. P. Trading Ltd. at Abadan at posted prices, and invoices the products supplied to the B.O.C. (I.T.) Ltd. at the same price.

6.5.3 Burmah Shell was requested to state whether the invoice of the Consignor Companies shown in column (1) above, agains which remittances are made by it from the net sale proceeds ii India, are supported by the original invoices of the firms in columi (2) above, or by the invoices of the original producers/suppliers. Ir reply to this query, it has been stated that since it operates or consignment basis, the only use of invoices is for customs purposes and that the values placed on products for realisation purposes are levels current at the time of shipment. The arrangements of its consignors with third parties are not known to Burmah Shell.

6.5.4 Similar arrangements are in force for payment of freight and debits therefor are received by Burmah Shell at AFRA rates.

6.5.5 **(ii) Manner of determination of prices of deficit refined products.**—The prices of main petroleum products fluctuate with changes in Abadan posted prices for the product in question and with changes in the General Purpose AFRA rate. General price changes are automatically reflected in the posted prices. All similar long-term product supply contracts entered into by consignors of Burmah Shell in respect of contiguous areas are based on Abadan postings and AFRA rates, which is accepted by Burmah Shell as a fair basis.

6.5.6 **(iii) Discounts on refined products.**—Burmah Shell claims that Abadan product postings have so far always been set at a fully competitive level and for this reason, no discounts have been granted by Suppliers to long-term contract buyers for products sold ex-Abadan.

6.5.7 Burmah Shell has further stated that while there is some discounting of products, this is almost entirely confined to supplies from the Caribbean and from European refineries, where the conventional price basis is Caribbean or U.S. Gulf postings plus freight. According to the company, there is no discounting of products in the Persian Gulf and in the Far East areas (the normal sources of supply for India), with the exception of a few marginal imports, as for instance, Fuel Oil imports into Japan, which are reportedly discounted to a limited extent, often on account of quality.

(B) **Standard Vacuum Oil Company:**

6.5.8. **(i) Supplies of deficit refined products and manner of payment.**—Supplies of deficit Bulk Refined Products are imported by S.V.O.C. from (a) Dollar Sources, i.e., U.S. Gulf, (b) Sterling Sources; (i) Arabian American Oil Company, Daharan (Ras Tanura), S. Arabia; (ii) Iranian Oil Refining Company, Abadan, Iran. Spot purchases are also made.

(A) **Dollar Sources:**

6.5.9 Products imported from U.S. Dollar sources are purchased by its New York Office and payment is effected by remittance from India against foreign exchange entitlements on S.V.O.C. exchange slate under the control of the Reserve Bank of India. No specific

remuneration is paid to the New York Office for purchase of products, but for the various services rendered by the New York Office, S.V O.C. reimburses it with its share of the service expenses.

6.5.10 The New York Office renders various kinds of services to its subsidiaries and branches. These services include location of sources of supply, issuing firm orders, follow-up on delivery schedules, arranging shipment making payment to suppliers, etc. The expenses incurred in relation to such services are allocated to offices getting the benefit of such services on an equitable basis. The expenses thus attributable to S.V.O.C. are certified as fair and equitable by a firm of independent Public Accountants. The manner of determining such share has been claimed to be consistent all along and is the same as was in vogue prior to the Standard Vacuum Refining Co. of India Ltd., coming into operation.

6.5.11 The arrangement between the S.V.O.C and the New York Office is not reduced to a formal written contract/agreement, but has been described as an informal arrangement on a continuing basis. S.V.O.C. is satisfied that this arrangement ensures continuity and satisfaction in supplies.

(B) **Sterling Sources:**

6.5.12 Products imported from Sterling Sources are purchased for S.V O.C. by Standard Vacuum Service and Supply Ltd. (S.V.S.S.), and payment is effected in the same manner as for dollar imports.

6.5.13 S.V.S.S. acts as intermediary of S.V O.C. and it renders services relating to location of suitable sources of supply, arrangements for shipping, payment to suppliers, billing of amounts payable by S.V.O.C. and short-term financing. For these services, S.V.S.S. is paid a flat fee of £4,800 per annum, which is considered by S V.O.C. to be nominal and covering only out-of-pocket expenses of S.V.S.S.

6.5.14 Services of S.V.S.S. to import products from Sterling area were not availed of prior to 1st August 1957, because prior to this date, the New York Office handled all work connected therewith and expenses in this connection were included in its charge to S.V O.C.

6.5.15 S.V.S.S. bills S.V.O.C. for the cost, insurance and freight (copies of the supplier's bills are attached thereto) and the cost billed by S.V.S.S. is identical to the price billed by the suppliers to it.

6.5.16 The arrangement between S.V.S.S. and S.V.O.C. is also not reduced to a formal written contract/agreement, but is said to be informal and on a continuing basis, S.V.O.C is satisfied that this arrangement ensures continuity and satisfaction in supply.

6.5.17 **Comparison of imports in 1958 and 1959 from dollar and sterling sources.**—The table below shows the quantities imported in

1958 and 1959 from sterling and dollar sources and the amounts paid during each of these years to S.V.S.S. and the New York Office:

Products	Imports			
	Ex-Sterling source arranged through SVSS London		Ex-Dollar sources arranged through New York Office	
	1958	1959	1958	1959
	In thousand long tons			
1. Crude Oil	1662	1665	..	..
2. Bulk refined products .	268	333	5	5
3. Lubricants and associated products	29	38	44	50
4. Total	1959	2036	49	55
5. Expenses paid by SVOC .	£4800 (Rs. 64111) approx.	£ 4800 (Rs. 64111) approx.	£595661·86 (Rs. 2836435) approx.	£623007·98 (Rs. 2966705) approx.

6.5.18 During these years, the bulk of the imports had been made from sterling sources through S.V.S.S., whereas the amount of fees paid to it is about 1/40 of what has been paid annually to the New York Office, imports through which are negligible.

6.5.19 To explain this position, S.V.O.C. has stated that in addition to purchase of products from dollar sources, the New York Office also renders various other services not related to products purchases. These include, 'assistance and service in operating and financial problems, initiation, review, and/or planning of major capital purchases, facilities for recruitment and training of personnel, administration of employee relations, etc.'. In other words, the services rendered by the New York Office and S.V.S.S. are stated to be not identical.

(C) Spot Purchases:

6.5.20 The aforesaid arrangements for supply from dollar and sterling sources, cover almost the entire import requirements of S.V.O.C. but occasionally spot purchases of small quantities from other suppliers have also been made.

6.5.21 **(ii) Manner of determination of prices of deficit refined products.**—As already stated above, the arrangements of S.V.O.C. with its suppliers are not reduced to formal written contracts/ agreements, but are informal and on a continuing basis. The prices payable, however, fluctuate with variations in posted prices from time to time and price changes as applicable to the general trade are applicable between S.V.O.C. and its suppliers.

6 5.22 **(iii) Discounts on posted prices of products.**—According to the company, the posted prices for petroleum products (as distinguished from posted prices for crude oil) have in recent months and

years been firm, although it is recognised that there may be occasional cases of discounting as a result of special circumstances, that are not generally known. S.V.O.C. is of the view that spot cargoes of various products may be available from time to time at "distress" prices and may be referred to as products available below posted prices and such prices would not be available on large volumes of products requiring steady and continuous supply.

(C) **Caltex (India) Ltd.:**

6.5.23 (i) **Supplies of deficit refined products and manner of payment.**—Deficit product requirements are imported from the Persian Gulf from its Suppliers, Caltex Trading and Transport Co. Ltd., Agents for Caltex (U.K.) Ltd., under an Agreement effective from 1st January 1959 for one year, and thereafter on yearly basis, subject to 60 days' notice by either party before the end of the year. This arrangement covers all its requirements of refined oils, and no spot purchases are made. No charge is made by Caltex Trading and Transport Co. Ltd., for its services.

6.5.24 Invoices are prepared in London by Caltex Trading and Transport Co. Ltd., and the arrangements between it and the original producers/suppliers of products are not known to Caltex.

6.5.25 (ii) **Manner of determination of prices of deficit refined products.**—The price paid is in accordance with the sellers' export price schedule, established and published from time to time for the respective ports of loading on the date the vessel commences to load. Such prices are stated to be competitive with other suppliers of similar products from the same area.

Invoices are prepared in London by its suppliers and submitted immediately after each shipment.

6.5.26 (iii) **Discounts on refined products.**—Caltex has expressed ignorance of any discounts being offered off posted prices of refined products. This company has been assured by its suppliers that no comparable supplies have been made by them to other customers on terms better than those offered to Caltex. In its opinion, the reference to discounts in the various publications pertains to transactions of a barter nature and are based on U.S. Gulf quotations and that discounts reported on Furnace Oil to Japan are intended to meet competitive quotations with supplies ex-West Coast of U.S.A. The company maintains that these conditions are peculiar to the Japanese market and do not apply to the Indian area.

(D) **Western India Oil Distributing Company, Limited:**

6.5.27 It obtains bulk supplies from the French firm—Campaignie Marocaine Des Carburants (CMC) (whose principals—Compagnie Francaise Des Petroles have 6 per cent share in the Iranian Consortium) with which it has an agreement for supplies for a period of 10 years, with option to renew. Generally, this arrangement covers the entire requirements of W.I.O.D.C. The f.o.b prices of products are determined on "the low of Platts" at Abadan less discounts,

which have been given right from the date of the conclusion of the agreement and have been increased subsequently, in the case of some products.

6.5.28 Ocean Freight is paid as per AFRA rate and whenever the company pays a higher freight, C.M.C. compensates it to the extent of 6 per cent of the f.o.b. cost.

(E) **Indian Oil Company Ltd.:**

6.5.29 On the basis of the Trade Agreement between the Government of U.S.S.R. and the Government of India, signed on 16th November 1958, the Indian Oil Company Limited has entered into a contract with M/s. Sojuzenteexport, Moscow (Soviet Trade Organisation) for import of High Speed Diesel Oil, Superior Kerosene and Aviation Turbine Fuel, for a period of four years. The contract was entered into on 15th July 1960, against payment in non-convertible rupees. The first shipment of oil from the U.S.S.R. arrived towards the end of August, 1960. The f.o.b. price is based on the lowest Abadan quotation as posted in Platt's Oilgram, and is subject to substantial discounts. Freight is payable as from Abadan at AFRA rate. Supplies have to be paid in rupees, but the company is entitled to credit, free of interest, for a period of 180 days from the date of loading of each shipment, and a bank guarantee is needed to cover this period. Within 10 days of the shipment of the cargo, the supplier submits his invoices in which the value payable is given in U.S. Dollars. This is payable in rupees within 180 days from the date of the bill of lading, at the rate of exchange of rupees into dollars as current on the day prior to the date of payment.

(F) **Indo-Burma Petroleum Company Ltd.:**

6.5.30 This company has furnished no information regarding its arrangement for procurement of refined products from abroad or from the coastal refineries in India.

6.6. It will be noted that Burmah Shell and Caltex have not disclosed the names of the original producers/suppliers of bulk refined products which they have been obtaining. The invoices of the original producers/suppliers have also not been made available to these companies by their consignors/suppliers. Apart from the assurance of their consignors/suppliers, they have no means to judge whether, in fact, the prices charged by the original suppliers have been subject to discount or not. It is difficult to understand that companies of such world-wide connections and transacting large volume of business, would have failed in their attempts to elicit this information, had the necessary efforts been made.

6.7. The statement of the oil companies that their suppliers of refined products do not charge any fee or commission for the services rendered, apart from charging out-of-pocket expenses only, does not stand to reason particularly when the services rendered include arrangements for financing, etc.

6.8. It is difficult to accept the statement of the major oil companies that no discounts are available on the posted prices of products. We have noticed that discounts are available on crude oil. The oil companies have stated that their efforts for obtaining discounts on crude oil succeeded only in 1960. Statements made by responsible persons in reputable journals, however, indicate that they were traditionally available earlier. As discounts are admittedly available on crude oil there is every reason to believe that discounts should also be available on refined products.

6.9. Admittedly there were a few instances of supplies of Fuel Oil to Japan which were subject to discounts These supplies were made from the Middle East. But it is contended that the price was subject to discount on account of the quality of the oil. There is however, no evidence before us to show that this was a fact. In the absence of such evidence we are unable to hold that the discount was given on account of the quality of the fuel oil supplied.

6.10. Among the importers of refined products there are at least two companies which have admitted that they obtain their imports at a discounted price. The supplies received from them come from different sources. One of them gets its supplies from the Middle East and the other from U.S.S.R. The products imported by them are also not identical. The rates of discounts also vary for the different products. One of these companies started obtaining its supplies at low rates of discount some years ago but these have increased since the last year. The other has been promised higher rates of discounts if quantities imported by it are increased. All these considerations show that the availability of discounts depends upon the bargaining capacity of the individual importing company. It is difficult to believe that the major oil companies with their world wide connections and long experience in the oil business would not be able to exert sufficient pressure on their suppliers of refined products and succeed in obtaining discounts on their supplies when much smaller organisations have been able to get them. It has been urged that the supplies to the two companies mentioned earlier could not be considered to be normal business transactions, and that they were either marginal sales of a distress character or that supplies were made for extraneous considerations. We have examined the nature of these transactions carefully. We do not find any evidence to justify this conclusion. The supplies to the Indian Oil Co. are the subject of an agreement which has been reduced to writing and wherein all the usual clauses regarding price, quantity, mode of payment, period of payment, interest charges in the event of delay in payment, etc. have been specifically and clearly drawn up. There is no suggestion in it that the agreement was motivated by any considerations other than commercial. The fact that the payment for these supplies is to be made in rupees or that the sale proceeds of these supplies would be utilised for import of goods from this country is not an unusual circumstance. There have been scores of transactions with many other countries in which such stipulation has been made. We cannot, therefore, agree that these circumstances render the transaction non-commercial. In the case of the company which obtains its supplies from the Middle East even these aspects do not exist. Here the supplies are made for

payment in foreign currency. It has not been established that the suppliers of this company were hardpressed in disposing of their products and were, therefore, forced to offer discounts to attract a buyer. Even here the supplies are continuous and are guaranteed over a specified period of time. We are, therefore, unable to accept the contention that discounts on prices of refined products do not represent the normal method of trading.

6.11. The Refinery Agreements with Burmah Shell and Caltex provide for determination of prices of refined products at levels not higher than those at which they sell or could make available for sale equivalent imported products. This stipulation is not intended to preclude the availability for sale in the Indian market of products from sources other than their own. In the case of S.V.O.C., such prices shall not be higher than the Bombay landed cost of comparable products available to this Company from other supply sources. This stipulation also does not preclude from consideration products that could be available to S.V.O.C. from sources other than those utilised by them so far. The Refinery Agreements permit the purchase of crude oil at world market prices with the freedom of choice to the companies as to the source of supply. No parallel provision is contained in the Refinery Agreements in regard to the freedom of choice as to the source of supply of Bulk Refined Products. The absence of such a provision is obviously intended to secure that Indian buyers are not charged rigged prices. We consider that in terms of the Refinery Agreements, it would be quite appropriate to demand that the landed cost of imports should be determined on imports at cheaper rates, if available, from sources other than those which have been normally utilised by the Oil Companies, provided continuous supplies of equivalent quality are guaranteed. The Refinery Agreements are of indefinite duration. At the time of their conclusion several years ago, the developments of today regarding the availability of supplies from other sources at concessional rates could not naturally be foreseen by either party. Normal changing patterns of trade cannot however be excluded from consideration in the determination of prices, as otherwise, we shall be introducing an element of arbitrariness without recognising world trends.

6.12. It is understood that the agreement of the Consortium of the major oil companies with the producing countries of the Middle East provides for sharing of profits on the basis of the posted prices under the 50 : 50 arrangements, and not on realised export prices. Thus, the discounts are allowable by producing companies from their 50 per cent share of profits. As the major oil companies operating in India and/or their foreign associates have interest in the Consortium operating in Iran, or they are otherwise associated with the producing companies, they may not be interested in depressing the profits of the producers in the Middle East and would be reluctant to apply pressure on their suppliers for discounts, even though normally available to other purchasers. Their inability to obtain discounts from their suppliers is, therefore, no proof of the position sought to be established by them that discounts are not available on products in the Middle East.

6.13. The Oil Companies represented during our discussions that even with the present ceiling selling prices laid down by the *ad hoc* Price Agreement of 23rd September 1960, they found it difficult to maintain reasonable profits after meeting all the distribution costs. In spite of such presumed tight ceilings the major oil companies have been under-quoting particularly H.S.D. oil against the price established for such products by the Indian Oil Company for imports from Russia at favourable discounts. In some cases the prices quoted were even lower than the landed cost of the product from Russia. Such under-quoting by any oil company could only be possible if substantial discounts were available to it on f.o.b. postings.

6.14 The products which have been discounted are mainly Kerosene, Aviation Turbine Fuel, High Speed Diesel Oil, Motor Spirit and Furnace Oil. The rates of discounts vary in the case of different sources. On the material available to us, we notice that discounts generally fluctuate within the range 10 to 15 per cent. in the case of Kerosene, High Speed Diesel Oil and Aviation Turbine Fuel. In the case of Motor Spirit and Furnace Oil, lower rates of discount have been disclosed to us and they vary between 3 to 5 per cent. We are informed that Light Diesel Oil is a combination of Inferior Kerosene and Furnace Oil in the proportion of 9 : 1. Since its components are subject to discounts, proportional discounts would also be available for the final products. We, therefore, consider that discounts at the following rates should be taken in the determination of parity prices and the calculation of foreign exchange requirements for import of deficit products:

	Per cent
Kerosene (Superior & Inferior)	10
Aviation Turbine Fuel	10
High Speed Diesel Oil	10
Motor Spirit	5
Light Diesel Oil	9·3
Furnace Oil	3

6.15. In recommending these rates of discount, we have taken into consideration the fact that discounts of approximately 8 per cent on c. & f. are available to the oil companies in respect of crude oil purchased by them. It is, however, not possible to link these discounts strictly with the discounts available on refined products.

6.16. In the matter of charges paid by S.V.O.C. to S.V.S.S., London and its New York Office mentioned in paras. 6.5.9, 6.5.12 and 6.5.17 above, we see no justification for payment of such charges when Caltex pays no such charge at all to Caltex Trading and Transport Ltd. on similar purchases of products through it. Secondly, the amounts paid to S.V.O.C., New York are exorbitant. We, therefore, recommend that the company should endeavour to reduce (and eventually eliminate altogether) payments on this account.

CHAPTER 7—Pricing Formula

7.1 We have been asked to examine the principles and elements according to which the selling prices of various petroleum products in India should be determined. The petroleum products can be broadly classified as under:

(A) *Bulk Refined Products*:

- (i) Aviation Spirit/Aviation Gasoline different grades—100/130, 115/145, 108/135 and 73 Octane.
- (ii) Aviation Turbine Fuel.
- (iii) Motor Spirit 79 Octane.
- (iv) High Speed Diesel Oil.
- (v) Superior Kerosene.
- (vi) Inferior Kerosene.
- (vii) Vapourising Oil.
- (viii) Light Diesel Oil.
- (ix) Furnace Oil.

(B) *Bitumen*: Straight grades, Cut-backs and special grades.

(C) *Lubricants and Greases.*

(D) *Specialities*:

- (i) Solvent Oil.
- (ii) Jute Batching Oil.
- (iii) Mineral Turpentine.
- (iv) Paraffin Wax etc.
- (v) Chemicals.

(E) *Other Special Products*:

- (i) Hot Heavy Stock.
- (ii) Low Sulphur Fuel Oil.
- (iii) Liquified Petroleum Gas.
- (iv) Boiler Fuel.

7.2 Other Special Products referred to at E(i) and (ii) above are sold directly from the Refineries to single consumers, against contracts specifically concluded with them, providing for fluctuations of prices with variations in f.o.b. etc. Liquified Petroleum Gas is sold to a single purchaser in Bombay. Boiler Fuel is consumed by the Refineries themselves. These products are, therefore, excluded from the purview of the proposed pricing formula. As regards Chemicals, various parties, other than the oil companies, are manufacturing and marketing these products. Moreover, the share of the oil companies is negligible compared to the total sale of chemicals in the country.

We have, therefore, excluded chemicals also from the pricing formula. We have formed two groups; (i) Lubricants and Greases, and (ii) Specialities, for the purpose of control of distribution costs and profits.

7.3 The Bulk Refined Products and Bitumen are covered by the Refinery Agreements. Their ceiling selling prices, therefore, have to be determined on the basis of import parity.

The pricing formula shall contain the following elements:—

(a) f.o.b. Cost.

(b) Marine Freight.

(c) Insurance.

(d) Ocean Loss.

(e) Basic customs duties and surcharge.

(f) Wharfage charges.

(g) Other compulsory landing charges.

(h) Marketing and distributing charges comprising,

  (i) Installation expenses.

  (ii) Administration and management expenses.

  (iii) Distribution expenses.

  (iv) Retail pump outlets/airfield outlet expenses.

(i) Profit.

(j) Fixed commission to dealers/agents, wherever applicable.

7.4 The total of the above will represent the basic ceiling selling price of the relevant product, exclusive of railway freight from the storage point to the point of delivery, local duties and taxes as applicable at the place and time of sale and the packed/bulk differential in respect of products supplied in packages.

7.5 *Fixation of Quantum in the Break-up of the Pricing Formula.*

7.5.1 (A) *Bulk Refined Products.*

7.5.1.1 (a) *f.o.b. Cost.* The Platt's Oilgram Daily Reporting Service issues daily bulletins indicating the f.o.b. quotations for the various petroleum products from the different exporting ports. It is observed that generally the quotations from sources in the Persian Gulf are lower than those from the other sources. Marine freight at AFRA rates is also found to be cheaper from these sources. Imports from the Persian Gulf are mostly made from Abadan or Rastanura. By and large, the c. & f. combination ex-Abadan was lower than the c. & f. combination ex-Rastanura, in respect of almost all products.

7.5.1.2 It is, therefore, recommended that f.o.b. Cost should be determined at the lowest posted prices of any company regularly

posting prices in Abadan (as reported by Platt's Oilgram Daily Reporting Service). The quotations of those companies only as have posted quotations for that product at least 30 days out of the preceding 90 days should be considered. Till prices are posted at Abadan for Bitumen, the f.o.b. Cost for Bitumen will be the lowest price for the applicable grade as invoiced at Abadan by regular suppliers.

7.5.1.3 (b) The marketing nomenclatures in India and the equivalent Platt's quotations are given below: —

Marketing nomenclature in India	Platt's Quotations (Abadan)
(1) Aviation Spirits/Avigas	(1) Avigas (applicable grades)
(2) Aviation Turbine Fuel	(2) Turbine Fuel (—58F)
(3) Motor Spirit	(3) 79 Octane
(4) Superior Kerosene	(4) Kerosene
(5) Inferior Kerosene	(5) No. 2 Fuel
(6) Light Diesel Oil	(6) (90 per cent No. 2 Fuel 10 per cent Bunker C. Fuel)
(7) H.S.D.	(7) 53/57 Diesel Index
8) Furnace Oil	(8) Bunker C. Fuel
(9) Vapourising Oil	(9) Tractor Vapourising Oil

7.5.1.4 If the companies are obliged to introduce a new grade of specification of any products not listed above, the appropriate Abadan price would obtain. For example, 84 Octane Motor Spirit would carry the appropriate Platts quotation for that Grade. The f.o.b. quotations in the Oilgram are in cents per American gallon or in dollars per barrel of 42 American gallons and will be converted into Indian currency at Rs. 0·0477 per American cent. We have adopted the f.o.b. prices as per Platt's Oilgram Price Service No. 102, dated 25th May 1961 (Prices applicable as on 24th May 1961).

Products	Unit	Posted Price.
		Cents
Avigas 100/130 Octane	A.G.	14·4
Avigas 115/145 Octane	A.G.	15·7
Avigas 73 Clear	A.G.	12·4
Aviation Turbine Fuel	A.G.	9·2
Motor Spirit	A.G.	7·8
High Speed Diesel Oil (53/57)	A.G.	8·1
Kerosene Superior :	A.G.	9·0
Kerosene Inferior (No. 2 Fuel)	A.G.	7·7
Vapourising Oil	A.G.	8·7
Furnace Oil (Bunker C Fuel)	42A.G.	$1·65

The posted prices indicated above will be subject to the discounts mentioned in para. 6.14, in arriving at the net f.o.b. cost for the determination of the parity prices.

(b) **Marine Freight**

7.5.1.5 According to Platt's Oilgram Price Service No. 30, dated 13th February 1961, the world tanker tonnage stands at 66·9 million tons. Caltex (India) Ltd., has stated in its reply to our Questionnaires that in its estimation 20 per cent. of the world tanker tonnage operates on the spot market and the balance on AFRA rates.

7.5.1.6 AFRA is a factual assessment of the weighted average cost of the entire commercial tanker fleet engaged in the transportation of petroleum at the time of assessment, which is published quarterly by the London Tanker Brokers Panel. The first assessment was made and published on 1st April 1954, covering vessels of 10,000 tons D.W. or over. This limit was raised to 13,500 tons D.W. from 1st July 1959.

7.5.1.7 The assessment is reported to cover

(i) Oil Company-owned tonnage,

(ii) independently owned tonnage operating on time-charter of 12 months or more,

(iii) independently owned tonnage on consecutive voyage charter of 12 months or more,

(iv) independently owned tonnage operating on single voyage basis or on charter of less than 12 months.

7.5.1.8 The assessment is reported to take into account the actual chartering on which all the independently owned tankers were operating, the respective weighted average freight rates on a standard voyage Curacao/London for each of the categories referred to at (ii), (iii) and (iv) above. In the last stage, the three categories are amalgamated to arrive at a single weighted average rate for the same voyage with due allowance for the volume of tonnage in each category. Tonnage owned by the Oil Companies is regarded as a long term commitment on their part and included at the average rate of categories (ii) and (iii) above. The final result gives the ultimate weighted average rate for moving a ton of oil from Curacao to London and is expressed in terms of a plus or minus percentage of the London scale for this voyage. Since the London scale schedule gives an approximately equivalent rate for all voyages over the world, the AFRA percentage is equally applied to give the current weighted average rate on all other voyages.

7.5.1.9 It has been observed from the data furnished to us by the Oil Companies that the Spot Charter rates were invariably lower than AFRA rates since early 1957. All the same, the Companies prefer to operate on AFRA for the following main reasons:—

(1) impracticability on the part of the Companies to separate from their overall programme a particular part of it, such as shipments from Persian Gulf to Indian ports, and to rely solely on the Spot Market.

(2) uncertainty of suitable spot vessels being available at all time, at better rates.

(3) applicability of the low freight rates being limited only to a relatively small portion of the total privately owned tonnage.

(4) possibility of unforeseen events, such as the Korean War, Suez crisis, adversely affecting the currently low Spot Market level.

(5) acceptance of AFRA rate in the United Kingdom, both by the War Office and the Air Ministry.

7.5.1.10 In the case of the three major oil companies, their arrangements with their Suppliers provide for payment at AFRA rates, irrespective of the fact whether such affiliates procure the requisite tonnage at the rates as for, or higher/lower than, AFRA rates.

7.5.1.11 The element of marine freight is included in the price build-up on a notional basis. For actual imports of deficit products (as well as Crude Oil) only a small fraction (say, less than 8 per cent) of the World Tanker Tonnage operating in the Spot Market would be needed. Moreover, the apprehension of any disruption in supply for lack of transportation, which impels the Companies to make use of the long term arrangement, does not ordinarily exist. It is, however, considered that if any attempt is made to rely on spot charters, the spot rate may no longer remain at its present level, which may be affected by the operations of the Company-owned tonnage amounting to about 37 per cent. The adoption of the spot charter rate is likely to introduce an element of uncertainty, which is not worth risking, particularly when the current low rates for spot charters are automatically reflected in the over-all level of AFRA. We, therefore, recommend that ocean freight may be calculated at the AFRA rate for the time being.

7.5.1.12 **Pattern of Discharge.**—The amount of Marine freight payable also depends on the pattern of discharge followed at the Indian ports, as the berthing of the vessels of D.W. above 13,500 tons or below depends upon various factors, *viz.*, draft and seasonal restrictions imposed by Port Authorities at the individual ports; the storage capacity of the marketing and distributing companies at the respective ports and the potential demand, which determines the throughput from each of the port Installations.

7.5.1.13 The information received from the Port Authorities regarding draft conditions at the various ports is as under:—

(i) *Madras Port*: Can be used as a Single Port Discharge by fully loaded T-2 tankers (13,500 DWT) or larger size Tankers except for dangerous petroleum tankers, which cannot be operated on account of Monsoon between the end of October and the end of December.

(ii) *Vizag. Port*: Can be used as a Single Port Discharge by fully loaded T-2 tankers at convenient spring tides. This port has been used by larger tankers upto a capacity of 19,500 DWT.

(iii) *Okha Port*: Can be used as a Single Port Discharge by fully loaded T-2 tankers at convenient spring tides. It handles ships of overall length 545′ and maximum draft of 27′.

(iv) *Kandla Port*: The draft restrictions obtaining at this port do not permit the use of fully loaded T-2 tankers or larger size tankers for Single Port Discharge.

(v) *Cochin Port*: Can be used as a Single Port Discharge by fully loaded T-2 tankers. Larger tankers can also use this port throughout the year on the Ernakulam side, if the draft of the vessel does not exceed 30. At the Willingdon Island, depth is about 27·5′ Lightening is, therefore, necessary at Ernakulam.

(vi) *Bombay and Calcutta*: Bombay can be used for Single Port Discharge and Calcutta for two-port discharge due to draft restrictions.

7.5.1.14 The discharge pattern for Calcutta will naturally involve clubbing of one or more ports on the eastern coast depending upon the throughput through Calcutta and the throughput at the clubbed ports. The alternative to two-ports discharge pattern for Calcutta is to employ vessels of lower DWT at premium rates, which will be uneconomical.

7.5.1.15 Assuming that Bombay can be used for Single Port Discharge and all other ports for two-port discharge the total marine freight for the anticipated volume of trade in future for the three major oil companies at AFRA scales applicable during the quarter ended 31st March 1961, ex-Abadan to the Indian Ports, amounts to Rs. 10·6 crores per annum. The total impact of marine freight on the same volume, ex-Abadan, taking Calcutta for single port discharge in premium rated vessels and all other ports also for single port discharge in general purpose vessels, would amount to Rs. 10·9 crores (approx.) per annum. This would involve an extra amount of Rs. 30 lakhs.

7.5.1.16 In view of the small difference in total cost, the draft and seasonal restrictions at the Indian ports and the anticipated throughput from the different port installations, we recommend that Bombay should be considered as a single port discharge, Madras/Vishakapatnam/Calcutta as double port discharge at the Calcutta rate and Kandla/Okha/Cochin as double port discharge at the Cochin rate.

7.5.1.17 On the above basis, the AFRA rates ex-Abadan in the second quarter of 1961 as adopted by us for the determination of the ceiling selling prices are:—

	G. P. Vessels (13,500 to 24,999 tons)	
	English Ton	Mertic Ton
	Sh.	Sh.
Bombay	18-4·2	18-0·7
Okha, Kandla, Cochin	21-11.1	21-6.9
Madras, Visag and Calcutta	32-0·5	31-6·4

(c) Insurance

7.5.1.18 The London Insurance Brokers underwrite the marine insurance for petroleum products for Burmah Shell in U.K. through their London Office and for Caltex, through the Caltex group of international trade, S.V.O.C. adopted self-insurance to a major extent till 1957. Since then the insurance of its cargoes is mostly being under-written by outside agencies. The rates of insurance premia and the types of risks covered thereunder, differ from company to company. In our calculations of the ceiling selling prices, we have adopted the rate of premium paid by Burmah Shell. This is approximately 0·0755 per cent. of the f.o.b. prices (1 *sh.* 6 *d.* less 9½ per cent. of the insurable value comprising f.o.b. cost plus Freight plus Insurance).

7.5 1.19 We have been informed that the Indian Insurance Companies Association in Bombay is in a position to undertake marine insurance of petroleum products. But the rates quoted by it and the risks covered are not considered to be favourable compared to the risks and the rates at which the oil companies are at present insuring their products. We recommend that this position should be reviewed by the Ministry of Finance (Department of Economic Affairs), so that the Indian Insurance Companies Association could match the premium rates and the risks for which the oil companies at present obtain insurance under their own arrangements. We have been assured by the oil companies that, in that event, they would consider insurance of their petroleum cargoes with the Indian Insurance Companies Association.

7.5 1.20 War risk insurance will be excluded from the pricing formula for the time being, but added separately in case of emergency, if and when the Government considers it necessary to cover additional risks. Such an emergency may be deemed to have arisen as soon as the London Market quotations for war risk insurance rate show an increase over the current rate of war risk insurance.

(d) Ocean loss

7 5.1.21 Based on the experience of the various oil companies in the past, we have adopted the following percentages of ocean loss on c.i.f. cost:—

	Product	Percentage on *c.i.f.*
1.	Motor Spirit	0·33
2.	Kerosene Superior	0·25
3.	Kerosene Inferior	0·25
4.	Aviation Gasoline 100	0·54
5.	Aviation Gasoline 108	
6.	Aviation Gasoline 115	
7.	Aviation Gasoline 73 clear	
8.	Aviation Turbine Fuel	0·25
9.	High Speed Diesel Oil	0·31
10.	Power Kerosene/Vapourising Oil	0·35
11.	Furnace Oil	0·11
12.	Light Diesel Oil	0·44
13.	Bitumen	0·10

(e) Conversion Factors

7.5.1.22 As stated earlier, the Platts' Oilgram Daily Reporting Service indicates the posted prices in cents per American Gallon. Freight on AFRA scales are indicated in Sterling per long ton. Bulk petroleum products and Bitumen are sold in metric units—either kilo-litre (equivalent to 219·9755 Imperial gallons) or metric tons (equal to 0·9842 long ton), as the case may be. To convert the f.o.b. prices, ex-source of import into Rupees, at the landing port in India, we have adopted the following conversion factors:—

Product	A.G.@ 60°F per long ton	I.G.@ 85°F per long ton	Factor of *f.o.b.* AG to *f.o.b.*/ I.G.	Combined factor of cents per A.G. to Rs. per I.G. 4×0·0477	Combined factor of cents per A. G. to Rs. per kilo litre
1	2	3	4	5	6
Aviation Spirit 100/130 Octane	375·42	317·47	1·1825	0·0564	12·4066
Aviation Spirit 115/145 Octane	382·24	323·84	1·1803	0·0563	12·3846
Aviation Spirit 73 Clear .	378·65	320·21	1·1825	0·0564	12·4066
Aviation Turbine Fuel .	341·90	288·44	1·1853	0·0565	12·4286
Motor Spirit . . .	376·81	319·00	1·1812	0·0563	12·3846
High Speed Diesel Oil | .	323·10	271·74	1·1890	0·0567	12·4726
Kerosene Superior | .	340·26	287·06	1·1853	0·0565	12·4286
Kerosene Inferior . . .	323·98	273·15	1·1861	0·0566	12·4506
Vapourising Oil . . .	328·88	277·46	1·1853	0·0565	12·4286
Light Diesel Oil* .	..	262·00	..	..	..
Furnance Oil . . .	281·18	238·75	1·1802	0·0563	13·2292 per metric ton

*L.D.O.=90% Kerosene Inferior (No. 2 Fuel) and 10% of Furnace Oil (Bunker C Fuel).

7.5.1.23 Rate of exchange has been adopted at $ 2·80 per Pound Sterling (within a range of Dollars/Sterling of $ 2·78 to $ 2·82). We have also adopted the current rate of exchange of Pound Sterling at Rs. 13·3565 (One Rupee being equal to 1 *sh.* 5-31/32 *d.*).

(f) Basic Customs Duties and Surcharges

7.5.1.24 As the prices of petroleum products ex-refineries are based on the import parity, Customs Duties and surcharges have to be taken as applicable for the imported counterpart. All the Bulk Refined Products are being levied specific duties per Kilo-litre on metric ton at 15°C as from 1st October, 1960. The present level of these duties has been adjusted to normal temperature of the landing port on an all-India basis taken at 29·4°C or 85°F at the standard conversion factors. The quantum thus arrived at has been included in the prices. We also understand that the Central Board of Revenue, the Standing Metric Committee of the Ministry of Commerce and Industry and the Oil Companies are already holding discussions to arrive at an agreed basis for calculation of Duties and Surcharges. If the

levels of Customs Duty and Surcharge resulting from these discussions are different from those adopted by us, suitable adjustments should be made in the prices.

7.5.1.25 **Penalty Duty.**—The question of inclusion of this item was raised by Burmah Shell, who explained that this term, in fact, was a misnomer. The companies have pleaded that two types of situations, might arise. A tanker may be loaded with 100 tons of a product and the invoice may show that tonnage; on being unloaded, it is possible that only 98 tons are actually discharged. After providing for a normal allowance at 1 per cent., Customs would still charge duty for 99 tons. Therefore, as the pricing formula would provide for the statutory duty only on 98 tons, the duty actually paid on the 99th ton would still remain to be provided/accounted for. Secondly, a cargo of a particular product, like Inferior Kerosene, may meet the specifications prescribed for another product like H.S.D. and attract a higher rate of duty. The difference in the two rates will thus remain unrecovered. In brief, the element of penalty duty was not a penalty due to any avoidable mistake on the part of the companies but was penal in the sense that it had to be compulsorily paid.

7.5.1.26 In our calculations, however, we have allowed Customs Duty and Surcharge at specific rates for the relevant products and have not taken into account charges arising out of short weight or mistaken application of duty rates, as urged by Burmah Shell; moreover, the total amount involved is insignificant.

(g) Wharfage Charges

7.5.1.27 We have adopted the rates of wharfage charges applicable during January, 1961 and they are indicated in the respective statements for the relevant products.

(h) Other Compulsory Landing Charges

7.5.1.28 Based on the experience of the oil companies in 1959, the charges towards this item for the relevant products included in the price are indicated in the respective statements.

7.5.1.29 **Landed Cost.**—The total of the above items, forming the landed cost at each port, is indicated for the relevant Bulk Refined Products in the respective statements.

(B) Bitumen/Asphalts:

7.5.2.1 Bitumen/Asphalts are manufactured at the Burmah Shell and Standard Vacuum Refineries at Bombay from imported crude oil and by the Assam Oil Company from indigenous crude oil. These products are generally used for road/airfield construction, manufacture of emulsions and in the paper and paint industries, etc. Supplies are made mainly in drums from the refineries.

7.5.2.2 Cutbacks are also manufactured at these refineries for road/airfield construction in special situations, such as inclement weather, high water table, etc., and they are also supplied in drums.

7.5.2.3 Other special grades of industrial/oxidised Bitumen (such as Blown and Hard grades) are imported from abroad, particularly Holland, United States and the Persian Gulf. Such products constitute a small percentage of the total trade and are mostly used for industrial purposes and have been excluded from the purview of the formula indicated below.

7.5.2.4 Caltex obtains supplies of Bitumen and Cutbacks from Burmah Shell and Standard Vacuum Refineries and its imports of special grades are negligible (less than 1 per cent. of the indigenous supplies).

(a) **f.o.b. cost**

7.5.2.5 There are no posted prices for Bitumen. The f.o.b. cost is determined at the rate intimated by Burmah Shell on the basis of the invoices of its suppliers for shipment to other countries. Before the coastal refineries came on stream, Bitumen was imported in packages. The oil companies are agreeable to f.o.b. cost (Ex-Abadan) being determined on the basis of bulk parity for the Bombay port only, as the refineries manufacturing Bitumen are situated in Bombay. In calculating the bulk parity, we have taken the packed price Ex-Abadan as shown in the invoices of Suppliers of Burmah Shell, less the cost of packing and filling at the source of supply. To the bulk parity prices thus arrived at for Bombay, the packing and filling cost at the local refineries has been added. For other ports, f.o.b. cost Ex-Abadan has been determined on the basis of packed parity.

(b) **Marine Freight**

7.5.2.6 The oil companies contended that there are very few bulk tankers in the world for movement of Bitumen and that such tankers are mostly chartered for bulk movement of this product to the Continent. They also contended that the off-take of Bitumen through the different ports in India does not permit employment of large size tankers, on account of the dead freight involved. Therefore, freight has to be assumed for tankers of less than 10,000 D.W. Accordingly, they claimed a premium of 60 per cent. (over the AFRA rates for general purpose vessels) for use of smaller tankers and a further premium of 20 per cent. on account of the special facilities for heating, handling, etc., provided in such tankers.

Marine freight is included in the price build-up of these products on a notional basis. In the absence of actual bulk imports to support the companies' claim for the extra premium at the aforesaid rates, we consider that marine freight for bulk Bitumen should be calculated on the basis of the premium rated vessels where the rate is about 35 per cent. over the rate of general purpose vessels.

Marine freight for packed supplies has been adopted at the rates indicated by London Freight Brokers Conference.

In calculating the packed freight, the tare weight of the containers is also taken into account.

(c) Insurance and Ocean Loss

7.5.2.7 These have been adopted on the same lines as for Bulk Refined Products.

(d) Customs Duties

7.5.2.8 Customs duty has been calculated for Bitumen in drums at the rate of 27 per cent. on a provisional tariff value of Rs. 231 per metric ton for straight grades and Rs. 280 per metric ton for cut-backs.

7.5.2.9 In case Bitumen straight grade is supplied in bulk (not packed in drums), the relevant customs duty at 27 per cent. on a provisional tariff value of Rs. 138 per metric ton, will have to be substituted.

7.5.2.10 In the case of Bitumen ex-Digboi Refinery, the customs duty at 27 per cent. on the respective tariff values will be substituted in arriving at the ceiling selling prices of Bitumen supplied in Assam area.

7.5.2.11 In the event of any change in the tariff valuation, the re-calculated amount of customs duty will be taken into account.

7.6. Total of the above items forming the landed cost at each port is indicated in the respective statements.

7.7. To the landed cost of Bulk Refined Products and Bitumen thus arrived at, have been added the distribution and marketing charges and profit, the basis of determination of which has been discussed in chapters 10 and 15.

7.8. The ceiling prices thus developed will be applicable for sales ex-oil companies' storage points for all Bulk Refined Products including Bitumen, and ex-retail points, *viz.*, Retail Pump Outlet for Motor Spirit and High Speed Diesel Oil and Airfield Outlet for Aviation Spirit/Gasoline and Aviation Turbine Fuel.

7.9. At present, there is a free delivery zone for Motor Spirit. But in respect of High Speed Diesel Oil, the delivery charges are separately recovered. The companies have been pressing for the creation of a free delivery zone for High Speed Diesel Oil also, as for Motor Spirit. The creation of a free delivery zone for High Speed Diesel Oil will, no doubt, rationalise the distribution system for the two products, but to prevent misuse by the dealers by continuing to levy further specific delivery charges on supplies of High Speed Diesel Oil as at present, it is proposed that the oil companies should issue specific instructions under advice to the Department of Mines and Fuel that the dealers should not make a further charge on account of the delivery of High Speed Diesel Oil, within the free delivery zone from the date of enforcement of the new prices.

7.10. At present, the companies recover additional charges on supplies of Aviation Turbine Fuel and Aviation Gasoline to aircraft,

at the airfields. The expenses incurred, against which such recoveries are made, have been averaged and included in the delivery prices to the aircraft. The delivery ex-airfield pump will, therefore, no longer involve payment of any extra charges. The oil companies should bring this position prominently to notice at the Airfield Outlets.

7.11. The prices for products, other than Aviation Spirit/Gasoline, Aviation Turbine Fuel, Motor Spirit and High Speed Diesel Oil, will be for supplies ex-Oil Companies storage points. The charges for the delivery of such products (*viz.*, Kerosene, Vapouring Oil, Light Diesel Oil, Furnace Oil and Bitumen) beyond the oil companies storage points, have been excluded from the basic ceiling selling prices.

7.12. A differential bctween the ceiling selling prices at International and other airfields has been maintained.

(C) **Lubricants and Greases:**

7.13.1 The broad categories of Lubricants and Greases used in India are given below:—

Lubricants:

1. Aero Engine Oils.
2. General Machinery Oils.
3. Internal Combustion Engine Oils.
4. Crank Chamber, Turbine and Compressor Oils.
5. Steam Cylinder Oils.
6. Insulating, Transformer and Switch Oils.
7. Gear Oils.
8. Cutting Oils.
9. Axle Oils.
10. Textile Finishing Oils, etc.

Greases:

1. General purpose Greases.
2. Cup Greases.
3. Hard Greases for Locomotives.
4. Grcascs for ropes, etc.
5. Bell and Roller Bearing Greases.
6. Mineral Jelly and Petrolatums.
7. Other kinds of Greases.

7.13.2 The qucstionnaire relating to these products was issued to the major oil companies [Burmah Shell, S.V.O.C. Caltex and B.O.C. (I.T.) Ltd.] and 10 other smaller firms entitled to annual foreign exchange allocation of over Rs 10 lakhs each for import of these products. The replies indicate that Lubricants and Greases are either wholly imported or wholly blended in India from imported

base oil or partly imported and partly blended or wholly produced indigenously. To the extent that indigenous ingredients of suitable quality are available, they are used. Digboi refinery in Assam is at present capable of producing only low viscosity oils. Burmah Shell sells as much of the Digboi lubricants as possible.

7.13.3 The three major oil companies (Burmah Shell, S.V.O.C. and Caltex) handle approximately 89 per cent. of the entire trade in these products and the balance is handled by smaller companies numbering about 175. The bulk of the sales are made from the main installations and only about one-third of the sales are made at the up-country depots. It is understood that no set formula is followed by the Industry for determination of prices of these products, because of a large number of suppliers in the market and that the selling prices (consisting of f.o.b. cost, freight, insurance, landing charges, duties, manufacturing/blending charges, marketing expenses and profit margin) are determined purely by competitive conditions. For supplies made from up-country depots, railway freight, handling/leakage charges at the depots, etc., are normally added to the f.o.r. main installation prices. The rates of commission to agents/dealers vary from 20 to 30 per cent. for High Grades and 12 to 20 per cent. on Low Grades.

7.13.4 We have indicated in para. 7.2. that the petroleum products falling in the group "Lubricants and Greases" and "Specialities" should also be covered under the Pricing Formula. The oil companies contend that an identical Price Formulation for the products coming under these groups will not be practicable in view of the following reasons:—

(a) Specification of the oils are not identical/comparable as between marketing companies. Some grades sold by some companies have approximate equivalents in the marketing ranges of others, but in few cases, if any, are the goods identical.

(b) A pre-requisite in any attempt to group some of the comparable grades would have to be an agreement by all companies to divulge their respective formulæ and for obvious reasons this could not be achieved.

(c) f.o.b. costs of oils vary appreciably, over short periods, and the sources of supply are many and varied.

(d) Due to the multiple sources of supply referred to in (c), the freight element will also vary appreciably. In addition, different companies resort to different methods of transportation—some oils are brought in tankers, some in deep tanks of cargo vessels and some packed in barrels.

(e) Duty payments differ according o c.i.f. cost and method of assessments and different results emerge company-wise and port-wise.

(f) It is impossible to maintain detailed costs for each individual grade, with a further complication of the cost

of the package. Even the same grade is marketed in different types of containers. Any endeavour to maintain detailed costs would inevitably result in:

(i) increased overheads, and

(ii) an impossible task for government to examine detailed costs for these brands when the question of inevitable price changes come up from time to time.

(g) The cost of the additive varies according to the grade of oil sold and ranges between a fraction of a naya paisa per gallon to several rupees per gallon, and any attempt to control prices by reference to the base oil content alone would give an entirely false picture.

7.13.5 We consider that there is force in the Oil Companies' contention. However, instead of a Pricing Formula for fixation of ceiling selling prices, we recommend that control by fixing a ceiling limit for marketing charges and profit margin on an average for all the products coming under these groups, should be imposed. For practical purposes, Lubricants and Greases can be taken as a single group and "Specialities" as a separate one. The estimate of marketing and distribution charges and profit margin per equated unit for each of these two groups will be on the lines indicated for the Bulk Refined Products.

7.13.6 The oil companies shall be permitted to frame the price for the individual products coming under the group in such a manner so that during a financial period the recovery towards marketing and distribution charges and profit margin per unit quantity for each of these groups does not exceed the ceiling proposed by us. The oil companies shall be permitted to recover the cost of materials, blending charges and the packaging and filling-in charges at actual rates. The method by which it can be ascertained whether the individual oil company has recovered towards distribution and marketing charges and profit margin per unit quantity for these groups more/less than the ceiling proposed by us will be as follows.

7.13.7 The actual cost of materials, blending and packaging and filling-in will be deducted from the net realisation to the oil companies and the balance would represent the recoveries towards distribution charges and profit margin. The balance after deduction will be divided by the total quantity sold in the respective groups to arrive at the average recovery rate. In case recovery during the financial period exceeds the ceiling proposed by us, the oil company/companies should suitably revise the price structure of the various products in the subsequent period within the respective groups.

CHAPTER 8—Pricing of Indigenous Products ex-Digboi

8.1. Indigenous products ex-Digboi are marketed by the Burmah Oil Company (India Trading) Limited, whose operations are three fold:—

(a) Marketing of the products of the Assam Oil Company Limited, Digboi.

(b) Marketing, as agent, of the products of the Shell Company of India Limited.

(c) Marketing of products imported from abroad on its own account.

(a) Marketing of the products of the Assam Oil Company Limited, Digboi:

8.2. The B.O.C. (I.T.) Ltd. is the exclusive consignee and Agent in Assam, Manipur, Tripura, and North East Frontier Agency of the A.O.C. Ltd., under Agreement, dated 17th January 1956, effective from 1st January 1955. Under this Agreement, the B.O.C. (I.T.) Ltd., markets A.O.C.'s products in the aforesaid areas and in North Bihar and Eastern U.P. through Burmah Shell and also looks after the sale and distribution of Assam Oil Company's Wax, available for export.

8.3. The products remain the property of the consignors and B.O.C. (I.T.) Ltd., is affected by the price changes only to the extent that such changes affect its Agency commission. The rates of commission are as follows:—

Products	Rates of Commission on gross proceeds *i.e.*, on the actual invoice value of the goods to the customer
	Percent
Kerosene	2½
Benzine	2½
Gas Oil	2½
Lubricants (including Jute Batching Oil)	2½
Fuel Oil and Diesel Oil	1
Asphalt and other petroleum road making material	2½
Wax	5
Wax exported	5

8.4. In respect of Wax exported, deductions from the gross proceeds to arrive at the net proceeds include packaging costs, transportation cost, ocean freight, marketing cost outside India.

(b) **Marketing, as Agent, of the products of Shell Company of India Limited :**

8.5. Under this arrangement, Shell branded Lubricating Oils, Greases, Specialities and Chemicals of the Shell International Petroleum Company and of Shell International Chemical Company are stocked—transferred to the B.O.C. (I.T.) Ltd., by Burmah Shell and sold by B.O.C. (I.T.) Ltd., as agent of Shell Company of India Ltd., on commission of 5 per cent., calculated on gross proceeds. All out-of-pocket expenses and losses are borne by the Shell Company of India Limited, *i.e.*, net proceeds after deduction of commission and marketing expenses are made over to the consignor, *viz.*, Shell Company of India Ltd.

(c) **Marketing of products imported from abroad on its own account :**

8.6. Aviation Spirit, Aviation Turbine Fuel (in excess of such quantities as may, from time to time, be made at Digboi) and Lubricants and Greases [other than Shell brands referred to at (b) above] are purchased by B.O.C. (I.T.) Ltd., either outside or in India and marketed under its own brand names on its own behalf. Such supplies are invoiced by the suppliers to the B.O.C. (I.T.) Ltd., and cleared and handled on its behalf by Burmah Shell, through its installations at Bombay or Calcutta or both, according to the products involved.

8.7. The arrangements for obtaining supplies through Burmah Shell have been made by B.O.C. (I.T.) Ltd., because of the comparatively small requirements of such products, which would cost it more per unit to erect, staff and maintain a full fledged ocean terminal, than to utilise the services of Burmah Shell and thereby benefit from the lower unit cost resulting from Burmah Shell's much larger throughput.

8.8. Although, there is no formal written arrangement between Government and the Assam Oil Co. Ltd., and/or the B.O.C. (I.T.) Ltd., analogous to the Refinery Agreements, with Burmah Shell, S.V.O.C. and Caltex for the supply of Bulk Refined Products, yet supplies of Assam Oil Company's products from Digboi are being made on the basis of import parity, the concept of which has differed from time to time. Originally the A.O.C. products fetched at the point of sale, the price which its imported equivalent products could command at that point, *i.e.*, the price at a particular point in Assam was made up of the landed cost at Calcutta *plus* notional freight from Calcutta to that particular point. From September 1949 onwards, supplies against Government contracts only were made available at the same price ex-Digboi/Tinsukia, as f.o.r. Budge Budge, but prices to the general trade of A.O.C. products continued to be based on the cost of imported price *plus* the notional freight from Calcutta to the points of sale.

8.9. With effect from 15th October 1957, the above basis for the general trade was changed to parity with the imported equivalent, not at the point of sale (as previously) but ex-f.o.r. Tinsukia/Digboi. At present, prices of Bulk Refined Products ex-Tinsukia/Digboi do not exceed the ceiling selling prices fixed by Government in the *Ad Hoc* Price Agreement with the other Companies, on the basis of import parity.

8.10. However, in the case of H.S.D., Vaporising Oil and Light Diesel Oil, the A.O.C. has established the f.o.r. Main Installation prices ex-Tinsukia/Digboi, at a level lower than the ceiling selling prices ex-f.o.r. Main Installation, Calcutta.

8.11. Petroleum products refined in Digboi and surplus to the requirements of Assam, Manipur and Tripura are sold in North Bihar and Eastern U.P. through Burmah Shell, in competition with imported products and products refined in India from imported crude oil, the selling prices of which are determined on the basis of the respective f.o.r. Calcutta price *plus* Railway freight and handling charges from Calcutta to retail outlet/customer in North Bihar and Eastern U.P. It has been represented by the Company that the freight from Tinsukia/Digboi to these places being greater than the freight from Calcutta to the retail outlet/customer, such supplies are invariably sold at a loss of freight amounting to Rs. 50 lakhs (approx.) annually. For sheer economic reasons, such products, when sold in North Bihar and Eastern U.P., cannot fetch higher prices than those payable for supplies of identical products received from Calcutta.

8.12. The pricing of A.O.C. products could be determined on cost *plus* basis or at parity with Calcutta as for the major oil companies. We do not favour the cost *plus* basis on account of the resulting disinclination to reduce the cost. The company has also contended that a satisfactory method cannot be evolved for allocation of expenditure incurred in finding, producing and refining crude oil. The fair prices for the A.O.C. products ex-Digboi should be the Calcutta c.i.f. cost, but on account of the heavy losses suffered by it on unrecovered freight in the marketing of its products outside the Assam Area, prices of A.O.C. products may be determined on parity with the prices ex-f.o.r. Calcutta subject to differential being maintained for lower diesel index, *viz.*, 43/48 against 53/57 Diesel index of H.S.D. normally obtained from Abadan, till such time as a more satisfactory method is evolved when the public sector refineries come on stream and the supply areas are allocated amongst the companies.

CHAPTER 9—Demand

9.1. The total sales (excluding deliveries to foreign bunkers) of petroleum products for each of the years 1954—1960 are given below:—

(Figures in lakh long tons)

Products	1954	1955	1956	1957	1958	1959	1960
Bulk Refined Products .	35·19	39·02	42·20	46·00	48·04	53·87	59·62
Percentage increase over 1954 . . .	100	111	120	131	136	153	169
Bitumen and bitumenous compoundis	N.A.	2·44	2·68	2·42	2·64	2·99	4·02
Percentage increase over 1954 . .	..	100	110	99	108	122	164
Lubricants and Greases	N.A.	N.A.	2·00	2·12	1·59	2·88	3·62
Percentage increase over 1954 . . .	..	..	100	106	80	144	181
Specialities . .	1·09	1·16	1·21	1·22	1·25	1·27	1·41
Percentage increase over 1954 .	100	106	111	111	115	117	130

9.2. It will be observed that there has been a progressive increase in the consumption of petroleum products. The demand for these products is expected to increase considerably during the Third Plan period. The following estimate of future requirements has been prepared by the Steering Committee of the Oil Advisory Committee:—

Estimated all-India Consumption exclusive of deliveries to Foreign Bunkers.

(in lakh metric tons)

	1961	1962	1963	1964	1965
1. Bulk refined products .	64·94	71·66	79·42	88·06	98·01
2. Bitumen and bitumenous compounds . .	4·25	4·51	5·04	5·68	6·38
3. Lubricants and Greases	2·91	3·18	3·47	3·80	4·16
4. Specialities . . .	1·82	2·26	2·40	2·57	2·75
TOTAL .	73·92	81·61	90·33	100·11	111·30

9.3. In all countries of the world where economic development gathers momentum, the residual gap in energy requirements is met by petroleum fuel. One of the characteristics of oil economics is that, under the process of economic development, the growth in the consumption of petroleum products is not linear but assumes the 'compound interest' curve. Linear projection for consumption in the process of time tends to be misleading. Taking into consideration the progressive increase in consumption in the previous years, and the expected tempo of development, we consider that the demand for oil in 1965 estimated by the Steering Committee, may turn out to be an underestimate.

9.4. **Share of the various distributors.**—According to the Government policy, imports of deficit products will, as far as possible, be made from rupee sources, so as to conserve foreign exchange. The Indian Oil Company may become the principal distributor of petroleum products imported on rupee account and produced at the public sector refineries. The foreign oil companies agreeing to distribute products from rupee sources will not be excluded from this field.

9.5. The programme of production of the two public sector refineries will probably be as follows:—

Nunmati (near Gauhati).—The refinery will go into full production by 31st December 1961.

Barauni.—One million tons of production will be reached by the close of 1962 and a further million tons will be produced by April 1963.

9.6. The total tonnage available from rupee sources (foreign and indigenous) for distribution by the Indian Oil Company by the end of 1964, will be over 3 million tons. This will entail building up of an organisation comparable to that built by Burmah Shell during the last several years.

9.7. On the basis of the estimates of consumption of petroleum products indicated earlier and after allowing for Indian Oil Company's share, we consider that the average increase in sales for each of the three years 1962—1964 will be about 25 per cent., for the three major oil companies.

CHAPTER 10—Marketing and Distribution Charges

10.1. The cost investigation of the marketing and distribution charges of the different oil companies for the years 1958 and 1959 was made by our Cost Accounts Officers. The charges were developed under the major functions indicated below:

(i) Main Installation/Terminal;

(ii) Administration and Management;

(iii) Upcountry Distribution;

(iv) Retail Pump Outlets; and

(v) Airfield Outlets.

In assessing the Marketing and Distribution charges, direct charges to the individual products were accepted. The indirect expenses under the relevant functions were allocated to the different products in proportion to their net sales realisations.

10.2. The total of the direct and indirect charges for each of the functions at (i), (ii) and (iii) above, in respect of the various products or groups of products, was divided by the All-India sales of the product or group to arrive at the unit incidence for the respective functions. The total of the incidence for these three functions represents the Marketing and Distribution charges per unit ex-company's storage points either at port or at upcountry station. In respect of Retail Pump Outlets and Airfield Outlets, the unit incidence has been arrived at by dividing the total product-wise charges for these functions by the sales through these Outlets. Depreciation has been provided at normal Income-Tax rates.

10.3. According to the pricing formula proposed in Chapter 7, the basic ceiling selling prices of petroleum products are to be evolved for deliveries at the oil company's storage points for all products and also at the Retail Pump Outlets within the free delivery zones in port and municipal towns for Motor Spirit/Gasoline and High Speed Diesel Oil and at the Airfield Outlets for Aviation Spirit/Gasoline and Aviation Turbine Fuel. Any expenses incurred by the oil companies for effecting deliveries beyond these points have to be excluded from the marketing and distribution charges. In some of the companies these expenses were not separately available. No details were also available in most of the companies regarding the actual expenditure incurred by them on account of services, like filling-in 2 I.G. containers, special deliveries etc., for which specific recoveries were made over and above the ceiling selling prices. In view of these difficulties we have not excluded these items of expenses from the Marketing and Distribution charges for purposes of comparison. The incidence for the different petroleum products under the respective functions for the two years for the various oil companies indicated in Annexure I are, therefore, inclusive of the above expenses.

10.4. The table below shows the volume of sales, total expenses and the unit incidence under the respective functions for the different groups of petroleum products. In the case of "Lubricants and Greases" and "Specialities" the figures represent the average incidence of all functions.

10.4.1. **Burmah-Shell:**

	Period 1958	Period 1959	Comparison with 1958: 1958 (Base)	Comparison with 1958: 1959
	1	2	3	4
A. *Bulk Refined Products*				
(*i*) *Installation*				
Volume of sales lakhs/I.G.	7043·05	7637·47	100	108
Total expenses Rs./lakhs	247·12	250·50	100	101
Incidence Rs./per I.G.	0·0351	0·0328	100	93
(*ii*) *Administration*				
Volume of sales lakhs/I.G.	7043·05	7637·47	100	108
Total expenses Rs./lakhs	379·34	390·29	100	103
Incidence Rs./per I. G.	0·0539	0·0511	100	95
(*iii*) *Distribution*				
Volume of sales lakhs/I.G.	7043·05	7637·47	100	108
Total expenses Rs./lakhs	502·42	505·85	100	101
Incidence Rs./per I. G.	0·0713	0·0662	100	93
Total incidence ex-Storage point Rs./per I. G.	0·1603	0·1501	100	94
(*iv*) *Retail Pump Outlets*				
Volume of sales lakhs/I.G.	2128·00	2298·00	100	108
Total expenses Rs./lakhs	62·85	70·18	100	112
Incidence Rs./per I.G.	0·0295	0·0305	100	103
(*v*) *Airfields*				
Volume of sales lakhs/I.G.	210·37	261·05	100	124
Total expenses Rs./lakhs	35·49	39·27	100	111
Incidence Rs./per I. G.	0·1687	0·1504	100	89
Total expenses (*i* to *v*) Rs./lakhs	1227·22	1256·09	100	102
Total incidence (*i* to *v*) Rs./per I. G.	0·3585	0·3310	100	92
B. *Bitumen*				
(*i*) *Installation*				
Volume of sales tons	161,666	168269	100	104
Total expenses Rs.	2916837	2747476	100	94
Incidence Rs./per ton	18·04	16·33	100	91

	1	2	3	4
(ii) Administration				
Volume of sale ton	161,666	168,269	100	104
Total expenses Rs.	1811,554	17,01,239	100	94
Incidence Rs. per ton	11·21	10·11	100	90
(iii) Distribution				
Volume of sale ton	161,666	168,269	100	104
Total expenses Rs.	619,126	875,894	100	141
Incidence Rs. per ton	3·83	5·21	100	136
Total expenses (*i* to *iii*) Rs. lakhs	534,7517	532,4609	100	100
Total incidence (*i* to *iii*) Rs. per ton	33·88	31·65	100	96
C. *Lubricants and Greases*				
Volume of sales lakhs/I.G.	249·50	277·24	100	111
Total expenses Rs. lakhs	150·57	153·66	100	102
Incidence Rs/per I.G.	0·6305	0·5542	100	92
D. *Specialities*				
Volume of sales lakhs/I.G.	247·92	253·71	100	102
Total expenses Rs./lakhs	37·20	42·89	100	115
Incidence Rs/per I. G.	0·1501	0·1691	100	113

It will be seen from the above that the unit incidence in 1959 was generally lower than in 1958 except in regard to 'Retail Pump Outlets' for Bulk Refined Products and 'Distribution' for Bitumen. The unit incidence for Specialities has also recorded an increase in 1959 compared to 1958.

10.4.2. Standard Vacuum Oil Co.

	Period		Comparison with 1958	
	1958	1959	1958 (Base)	1959
	1	2	3	4
A. *Bulk Refined Products*				
(i) Installation				
Volume of sales lakhs/I.G.	3112·39	3539·95	100	114
Total expenses Rs./lakhs	106·05	110·50	100	104
Incidence Rs. per I. G.	0·0341	0·0312	100	91
(ii) Administration				
Volume of sales lakhs/I.G.	3112·39	3539·95	100	114
Total expenses Rs./lakhs	201·52	222·44	100	110
Incidence Rs./per I. G.	0·0647	0·0628	100	87

	1	2	3	4
(iii) Distribution				
Volume of sales lakhs/I.G.	3112·39	3539·95	100	114
Total expenses Rs./lakhs	188·17	224·47	100	119
Incidence Rs./per I. G.	0·0605	0·0634	100	105
Total incidence ex-storage point Rs. per/I. G.	0·1593	0·1574	100	99
(iv) Retail Pump Outlets				
Volume of sales lakhs/I.G.	979·39	1054·73	100	108
Total expenses Rs/lakhs	60·90	57·90	100	95
Incidence Rs./per I. G.	0·0622	0·0549	100	88
(v) Airfields				
Volume of sales lakhs/I. G.	89·28	108·74	100	122
Total expenses Rs./lakhs	20·27	21·83	100	108
Incidence Rs./per I. G.	0·2270	0·2008	100	88
Total expenses (*i* to *v*) Rs./lakhs	576·91	637·14	100	110
Total incidence (*i* to *v*) Rs./ per I. G.	0·4485	0·4131	100	92
B. *Bitumen*				
(i) Installation				
Volume of sales tons	53,044	67,862	100	128
Total expenses Rs.	275,326	343,937	100	125
Incidence Rs./per ton	5·19	5·07	100	98
(ii) Administration				
Volume of sales tons	53,044	67,862	100	128
Total expenses Rs.	674,563	840,687	100	125
Incidence Rs./per ton	12·72	12·39	100	97
(iii) Distribution				
Volume of sales tons	53,044	67,862	100	128
Total expenses Rs.	546,543	605,374	100	111
Incidence Rs./per ton	10·30	8·92	100	87
Total expensess (*i* to *iii*) Rs.	1496,432	1789,998	100	120
Total incidence (*i* to *iii*) Rs./per ton	28·21	26·38	100	94
C. *Lubricants and Greases*				
Total sales lakhs/I. G.	148·43	147·28	100	99
Total expenses Rs./lakhs	60·27	61·75	100	102
Incidence Rs./per I. G.	0·4060	0·4193	100	103
D. *Specialities*				
Total sales lakhs./I. G.	214·97	192·02	100	89
Total expenses.Rs/lakhs	26·43	25·31	100	96
Incidence Rs./per I. G.	0·1229	0·1318	100	107

In the case of this company the overall unit incidence in 1959 was lower for Bulk Refined Products (in spite of an increase under "Distribution") and Bitumen, and higher for "Lubricants and Greases" and "Specialities" compared to 1958.

10.4.3. **Caltex (India) Ltd.**

	Period		Comparison with 1958	
	1958	1959	1958 (Base)	1958
	1	2	3	4
A. *Bulk Refined Products*				
(*i*) *Installation*				
Volume of sales lakhs./I. G.	2297·77	2692·07	100	117
Total expenses Rs./lakhs	91·29	103·46	100	113
Incidence Rs./I. G.	0·0397	0·0384	100	97
(*ii*) *Administration*				
Volume of sales lakhs./I. G.	2148·48	2522·54	100	117
Total expense Rs./lakhs	148·63	153·11	100	103
Incidence Rs./I. G.	0·0692	0·0607	100	88
(*iii*) *Distribution*				
Volume of sales lakhs/.I.G.	2148·48	2522·54	100	117
Total expenses Rs./lakhs	121·16	151·91	100	125
Incidence Rs./I. G.	0·0564	0·0602	100	107
Total incidence ex storage points Rs./I.G.	0·1653	0·1593	100	96
(*iv*) *Retail Pump Outlets*				
Volume of sales lakhs/I.G.	723·60	817·95	100	113
Total expenses Rs./lakhs	51·46	50·04	100	97
Incidence Rs./I.G.	0·0711	0.0612	100	86
Total expenses (*i* to *iv*) Rs./lakhs	412·54	458·52	100	111
Total incidence (*i* to *iv*) Rs./I.G.	0·2364	0·2205	100	93
B. *Bitumen*				
(*i*) *Installation*				
Volume of sales tons	41,051	54,243	100	132
Total expenses Rs.	584,501	729,432	100	125
Incidence Rs./per ton	14·24	13·45	100	94
(*ii*) *Administration*				
Volume of sales tons	41,051	54,243	100	132
Total expenses Rs.	563,996	577,603	100	102
Incidence Rs./per ton	13·74	10·65	100	78
(*iii*) *Distribution*				
Volume of sales tons	41,051	54,243	100	132
Total expenses Rs.	417,391	401,080	100	96
Incidence Rs./per ton	10·17	7·39	100	73
Total expenses (*i* to *iii*) Rs.	1565,888	1708,115	100	109
Total incidence (*i* to *iii*) Rs./per ton	38·15	31·49	100	83

	1	2	3	4
C. *Lubricants & Greases*				
Volume of sales lakhs/I.G. . .	93·61	98·24	100	105
Total expenses Rs./lakhs . . .	46·17	43·79	100	95
Incidence Rs./I.G.	0·4932	0·4458	100	90
D. *Specialities*				
Volume of sales I.G.	21,94,433	22,80,393	100	104
Total expenses Rs.	294,665	300,416	100	102
Incidence Rs./I.G.	0·1343	0·1317	100	98

In the case of this company, there was an all round reduction in the unit incidence in 1959 compared to 1958 for all products, in spite of increase in incidence under "Distribution" for Bulk Refined Products.

10.4.4. **Burmah Oil Co. (India Trading) Ltd.**

	Period		Comparison with 1958	
	1958	1959	1958 (Base)	1959
	1	2	3	4
A. *Bulk Refined Products*				
(*i*) *Installation.*				
Volume of sales lakhs/I.G. . . .	412·57	430·56	100	104
Total expenses Rs./lakhs . . .	12·26	14·07	100	115
Incidence Rs./per I.G. . . .	0·0297	0·0327	100	110
(*ii*) *Administration*				
Volume of sales lakhs/I.G. . .	412·57	430·56	100	104
Total expenses Rs./lakhs . . .	12·24	9·81	100	80
Incidence Rs./per I.G. . . .	0·0297	0·0228	100	77
(*iii*) *Distribution*				
Volume of sales lakhs/I.G. . .	412·57	430·56	100	104
Total expenses Rs. lakhs . . .	13·32	14·78	100	111
Incidence Rs./per I.G. . . .	0·0323	0·0343	100	106
Total incidence ex storage point Rs./per I.G.	0·0917	0·0898	100	98
(*iv*) *Retail Pump Outlets*				
Volume of sales lakhs/I.G. . .	86·14	91·39	100	106
Total expenses Rs./lakhs . . .	1·79	2·06	100	115
Incidence Rs./I.G.	0·0208	0·0226	100	109
(*v*) *Airfields*				
Volume of sales lakhs/I.G. . .	16·09	16·51	100	103
Total expenses Rs./lakhs . . .	2·66	2·92	100	110
Incidence Rs./per I.G. . . .	0·1652	0·1769	100	107
Total expenses (*i* to *v*) Rs./lakhs .	42·27	43·64	100	103
Total incidence (*i* to *v*) Rs./per I.G. .	0·2777	0·2893	100	104

	1	2	3	4
B. *Bitumen*				
(*i*) *Installation.*				
Volume of sales tons	9,134	9,872	100	108
Total expenses Rs.	106,943	93,110	100	87
Incidence Rs./per ton	11·71	9·43	100	81
(*ii*) *Administration*:				
Volume of sales tons	9,134	9,872	100	108
Total expenses Rs.	20,561	21,321	100	104
Incidence Rs./per ton	2·25	2·16	100	96
(*iii*) *Distribution*:				
Volume of sales tons	9,134	9,872	100	108
Total expenses Rs.	17,627	21,530	100	122
Incidence Rs./per ton	1·93	2·18	100	112
Total expenses (*i* to *iii*) Rs.	145,131	135,961	100	94
Total incidence (*i* to *iii*) Rs./per ton	15·89	13·77	100	87
C. *Lubricants & Greases*				
Volume of sales lakhs/I.G.	5·05	4·49	100	89
Total expenses Rs lakhs	1·01	1·21	100	120
Incidence Rs./per I.G.	0.2005	0·2697	100	135
D. *Specialities*				
Volume of sales lakhs/I.G.	133·39	153·03	100	115
Total expenses Rs./lakhs	6·89	7·59	100	110
Incidence Rs./per I.G.	0·0517	0·0496	100	96

In spite of the decrease in the unit incidence under "Administration" in 1959, the overall incidence for Bulk Refined Products recorded an increase over 1958. In regard to Lubricants and Greases, the incidence in 1959 was higher than in 1958. Bitumen and Specialities showed reduction in 1959 compared to 1958.

10.4.5 Indo-Burma Petroleum Company Ltd.

	Period		Comparison with 1958	
	1958	1959	1958 (Base)	1959
	1	2	3	4
A. *Bulk Refined Products*				
(*i*) *Installation*				
Volume of sales lakhs/I.G.	281·80	345·72	100	123
Total expenses Rs./lakhs	13·32	13·51	100	101
Incidence Rs./per I.G.	0·0473	0·0391	100	83
(*ii*) *Administration*				
Volume of sales lakhs/I.G.	281·80	345·72	100	123
Total expenses Rs./lakhs	16·16	14·99	100	93
Incidence Rs./per I.G.	0·0574	0·0433	100	75

	1	2	3	4
(iii) Distribution:				
Volume of sales lakhs/I.G. . . .	281·80	345·72	100	123
Total expenses Rs./lakhs . . .	18·08	19·76	100	109
Incidence Rs./per I.G. . . .	0·0642	0·0572	100	89
Total incidence ex stotrage point Rs./ per I.G.	0·1689	0·1396	100	83
(iv) Retail Pump Outlets:				
Volume of sales lakhs/I.G. . . .	108·31	121·83	100	112
Total expenses Rs./lakhs . . .	3·42	3·31	100	97
Incidence Rs./per I.G.	0·0315	0·0272	100	86
Total expenses (*i* to *iv*) Rs./lakhs .	50·98	51·57	100	101
Total incidence (*i* to *iv*) Rs./per I.G. .	0·2004	0·1668	100	83
B. *Bitumen*		NIL		
C. *Lubricants & Greases*				
Volume of sales lakhs/I.G. . . .	2·41	3·16	100	131
Total expenses Rs./lakhs . . .	0·78	1·07	100	137
Incidence Rs./per I.G. . . .	0·3223	0·3371	100	105
D. *Specialities*				
Volume of sales lakhs/I.G. . . .	2·86	2·52	100	88
Total expenses Rs./lakhs . . .	0·59	0·43	100	72
Incidence Rs./per I.G. . . .	0·2062	0·1694	100	82

There was an all round reduction in the unit incidence in 1959, except for "Lubricants and Greases", compared to 1958

10.4.6 The Western India Oil Distributing Co. Ltd.

	Period		Comparison with 1958	
	1958	1959	1958 (Base)	1959
	1	2	3	4
A. *Bulk Refined Products*				
(i) Installation				
Volume of sales lakhs/I.G. . . .	84·17	135·43	100	161
Total expenses Rs./lakhs . . .	2·03	2·79	100	137
Incidence Rs./per I.G. . . .	0·0241	0·0206	100	85
(ii) Administration				
Volume of sales lakhs/I.G. . . .	84·17	135·43	100	161
Total expenses Rs./lakhs . . .	2·10	2·32	100	110
Incidence Rs./per I.G. . . .	0·0250	0·0172	100	69
(iii) Distribution				
Volume of sales lakhs/I.G. . .	84·17	135·43	100	161
Total expenses Rs./lakhs . . .	1·16	1·45	100	125
Incidence Rs./per I.G. . . .	0·0138	0·0107	100	78
Total expenses (*i* to *iii*) Rs./lakhs .	5·29	6·56	100	124
Total incidence (*i* to *iii*) Rs./per I.G.	0·0629	0·0485	100	77

The unit incidence in 1959 was lower than in 1958, for all functions

10.5 The function-wise incidence for the Bulk Refined Products, Bitumen, Lubricants and Greases and Specialities, is indicated for the different companies for the years 1958 and 1959, in Annexure I. Although the unit incidence in respect of certain products has recorded an increase in 1959 over 1958, the overall unit incidence in 1959 showed a decrease, specially in regard to Bulk Refined Products as a group. This is largely attributable to the increase in the volume of sales in 1959 over 1958.

10.6 **Future Estimate.**—We have indicated in Chapter 9 that the estimated sales of Petroleum Products, excluding Boiler Fuel, Hot Heavy Stock, Liquified Petroleum Gas and Chemicals, in each of the three years 1962 to 1964 for the three major oil companies will be about 25 per cent higher on an average over the 1959 volume. The share of the three major oil companies in 1959 was about 95 per cent of the total sales of all Petroleum Products in the country. Burmah-Shell and S.V.O.C. alone handled about 80 per cent of the total sales. We, therefore, consider that Burmah-Shell and S.V.O.C. would represent the cross-section of the industry.

10.7 We have estimated the sales by Burmah-Shell of all Petroleum Products at 47,35,891 kilo-litres (excluding Boiler Fuel, and Chemicals) for each of the three years 1962/1964, or about 22 per cent over 1959 sales. As regards S.V.O.C., the estimated sales for each of the three years 1962/1964 will be 23,34,351 kilo-litres (excluding Hot Heavy Stock), showing an increase of about 25 per cent over 1959 sales.

10.8 In estimating the future Marketing and Distribution charges, we have made suitable provision for the increase in expenditure for the higher anticipated volume of sales. The delivery expenses beyond the storage points/the retail points specified in the formula have been excluded. The expenses for filling-in 2 I.G. containers are treated as part of the Marketing and Distribution charges.

10.9 We have also made adequate provision in our estimates for effecting free deliveries of (a) Aviation Spirit/Gasoline and Aviation Turbine Fuel from the companies' storage points to the airfield outlets/aircraft; and (b) Motor Spirit/Gasoline and H.S.D., at the retail pump outlets within the free delivery zone at ports and within municipal towns.

10.10 The Marketing and Distribution charges include an element towards unrecovered freight and bridging costs. This element represents the difference between the actual expenditure incurred in the transportation of the Petroleum Products to the up-country points by rail or by road and the Rail Freight recovered by the most economical route.

10.11 In the case of Kerosene, about 60 per cent of the upcountry requirements are despatched in packages. As for H.S.D., practically the entire requirements are despatched in bulk. According to the present structure, the oil companies recover railway freight as for packed supplies for these two products, even though some despatches may be made in bulk. The packed rates are invariably higher than the bulk rates. Over-recovery thus made is taken into account for arriving at the total unrecovered freight and bridging costs.

10.12 In principle, we do not favour the recovery of packed freight in respect of bulk despatches. We have, therefore, recommended elsewhere in the Report that railway freight should be recoverable at bulk rates for bulk despatches and at packed rates for despatches in packages. As a result of this recommendation, the unrecovered freight and bridging costs provided on the basis of the past experience (which takes into account the over-recovery at packed rates for bulk despatches) will not be adequate. We have, therefore, made suitable adjustments in our estimate of the Marketing and Distribution charges for these two products towards the anticipated shortfall in the recovery of railway freight.

10.13 In the assessment of the costs our Cost Accounts Officers have excluded charges arising from donations, loss on sale of assets, interest, bad debts and bonus. The oil companies have represented that these items should be included in determining the Marketing and Distribution charges.

10.14 Donations and loss on sale of assets are not generally treated as items of cost. Normally, interest is also not treated as an item of cost. However, we have taken into account the long term borrowings in the working capital and provided return thereon. As regards bad debts, except in the case of Burmah-Shell, the amount is negligible, compared to the volume of business. We do not, therefore, consider the necessity for making a special provision for this item.

10.15 As regards bonus, it is true that the concept thereof has undergone a great change in recent times. It is no longer considered as *ex-gratia* payment. It is no longer considered to be a matter of grace for the employer to pay bonus to the employee, but it is a matter of right for the employees to get bonus so long as their wage does not amount to a living wage. We are not very much concerned in this enquiry with the actual definition or the scope of bonus. What we are concerned with is whether bonus should be included in the cost of production or whether it should come out of the profits made by the Industry. In 1950, the Full Bench of the Labour Appellate Tribunal in Millowners Association, Bombay *versus* Rashtriya Mill Mazdoor Sangh, Bombay and another (1950 Labour Law Journal, page 1247) evolved a formula and that formula has been accepted as a good formula by several decisions of the Supreme Court. That formula as mentioned by Burmah-Shell in its Notes on Bonus runs as follows:—

(1) as both capital and labour contributed to the earnings of the Industrial concern, it is fair that labour should derive

some benefit, *if there is a surplus after meeting prior or necessary charges;*

(2) the claim of bonus *would only arise if there should be a residue after making provision for:*

(a) *prior charges; and*

(b) *a fair return on paid-up capital and on reserves employed as working capital.*

(3) bonus is a temporary satisfaction, wholly or in part, of the needs of the employee where the capacity of the industry varies or is expected to vary from year to year, so that the industry cannot afford to pay "living wages".

"The Labour Appellate Tribunal recognised that where the goal of living wages had been attained, *bonus like profit-sharing* in the technical, narrow sense would represent more the cash incentive to greater efficiency and production. The conception of the living wage itself is a growing conception, and the goal has been reached in very few industries, if any, in this country. ......" (The important words and expressions have been italicised by us).

10.16 From the above quotation, which has been taken from the Burmah-Shell documents, it is apparent that bonus cannot be included in the cost of production, but it can only arise if there should be a residue by making provision for prior charges and a fair return on paid-up capital and on reserves employed as working capital.

10.17 S.V.O.C. has also submitted for consideration of the Committee typed copies of two Supreme Court judgements (i) The Tinnevelly-Tuticorin Electric Supply Co. Ltd., Appellates *V.* Their Workmen, Respondents—Civil Appeal No. 23 of 1958, decided by the Supreme Court on the 22nd February 1960. In this case also, the Supreme Court approved of the formula of the aforesaid Full Bench and the Supreme Court remarked as follows:—

"The Full Bench formula has been evolved by Industrial adjudication for the purpose of doing social justice to *workmen* and it is now well-established that the Workmen's claim for bonus is justified on the ground that they contribute to the employer's profit and *are entitled to claim a share in the said profit with a view to fill the gap between their actual wages and the living wage which they aspire to earn....Determination of gross profit is the first step which industrial tribunals take in applying the Full Bench formula....* It is not denied that the appellant has to keep accounts under the Companies Act on a commercial basis. *That being so, in dealing with the respondents' claim for bonus, it is the balance-sheet and the profit and loss account prepared by the appellant that must be taken as the basis in the present proceedings,* and that is precisely what the tribunals below have done ...."

(ii) The next Supreme Court Case to which reference was made was Civil Appeal No. 416 of 1958. The Standard-Vacuum Refining Co. of India Ltd., *V.* The Workmen and Another and Civil Appeal No. 19 of 1959. The Workmen (including clerical staff) employed under the

Company represented by the Petroleum Refineries Employees Sabha, a Registered Trade Union, having its office at Aziz Baug, Chembur, Bombay *V*. the Standard Vacuum Refining Co. of India Ltd., Bombay and Another. The judgement of the Court is dated the 20th of January, 1961. Here again the Full Bench Formula referred to already was accepted and dealing with the arguments of the Learned Attorney-General the Supreme Court said as follows:—

"The learned Attorney-General (for the Appellants) has naturally relied on the decisions of this Court as well as the decisions of industrial tribunals in support of his argument that the *Full Bench formula which governs the decision of bonus dispute postulates that a claim for bonus can be entertained, if two conditions are satisfied; the employer must have made profit in the relevant year, which after the deduction of prior charges leaves sufficient available surplus;* and there must be a gap between the wages actually paid to the employees and the living wage standard which they hope to reach in due course.... *It is now well-established that in awarding bonus, industrial adjudication has to take into account the legitimate claims of the industry, its shareholders who are entitled to claim a return on the investment made by them and the workmen.* This Court has consistently refused to laydown any rigid rule or formula which will govern the distribution of the available surplus between the three claimants. The decision of this question must inevitably depend on a proper assessment of all the relevant facts. *If wages are small and the profits are high then the workmen would be entitled to have a high rate of bonus.* Indeed, if an employer makes consistently high profits and the wages continue to be low, it may justify the increase in the wage-structure itself; in other words, the award of bonus would have some relation to the wages paid to the employees. It is also true that unreasonably high or extravagent claims for bonus cannot be entertained just because the available surplus would justify such a claim......" (The important words and expressions have been italicised by us).

10.18 It is thus apparent that bonus must come out of the profits and cannot be an item of expenditure in the cost of production. We are, therefore, of the opinion that the claim of the said oil companies that bonus should be considered as an item of cost, is unsustainable. We have, however, provided for inclusion of bonus payments in the return, which we have proposed.

10.19 The Marketing and Distribution charges as estimated by us for Burmah-Shell and S.V.O.C. together with the weighted incidence for the Industry, are indicated in the Table below:—

Table showing our Estimate of the Marketing and Distribution Charges Product-wise for Burmah Shell and S.V.O.C. Individually and for the Industry.

	Aviation Spirit	Aviation Turbine Fuel	Motor Spirit	High Speed Diesel	Kerosene Oil	Vaporising Oil	Light Diesel Oil	Furnace Oil	Bitumen	Lubricants & Greases	Others
	Kilo-litre	Kilo-litre	Kilo litre	Kilo-litre	Kilo-litre	Kilo-litre	Kilo-litre	Metric Ton	Metric Ton	Kilo-litre	Kilo-litre
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Burmah Shell											
Installation	16·72	5·39	9·72	5·83	5·91	10·21	5·08	2·77	13 66	..	..
Administration	15·86	6·80	15·86	11·86	8·30	12·67	7·35	3·94	8·46	..	..
Distribution	14·32	3·17	16·98	15·18	10·19	16·19	7·15	1·17	4·04	..	..
R.P.O./Airfields	39·75	29·01	11·20	8·58	..	..	..	..	..	..	..
TOTAL	86·65	44·37	53·76	41·45	24·40	39·07	19·58	7·88	26·16	101.89	27·41
S.V.O.C.											
Installation	14·96	3·15	10·01	5·81	5·85	16·74	4·18	2·90	4·49	..	..
Administration	20·35	8·29	19·71	14·47	9·59	15·20	8·78	4·88	10·36	..	..
Distribution	7·46	2·02	12·87	10·25	9·00	12·23	6·58	3·47	3·70	..	..
R.P.O./Airfields	47·91	19·75	15·66	14·23	..	..	..	..	..	..	..
TOTAL	90·68	33·21	58·25	44·76	24·44	44·17	19·54	11·25	18·55	76·44	22·57

For the Industry											
Installation	15·95	4·97	9·81	5·83	5·89	11·66	4·80	2·81	10·91	..	..
Administration	17·84	7·08	17·14	12·74	8·75	13·20	7·79	4·20	9·03	..	..
Distribution	11·31	2·95	15·62	13·53	9·77	15·31	6·97	1·82	3·94	..	..
R.P.O./Airfields	43·51*	27·08*	12·78	10·18	..	..	..	..	..	..	..
TOTAL	88·61	42·08	55·35	42·28	24·41	40·17	19·56	8·83	23·88	93·08	24·90
*International Airfields	38·28	24·44									
Other Air fields	55·78	41·94									
Average	43·51	27·08									

R.P.O.—Retail Pump Outlets.

CHAPTER 11—Packed-Bulk Differential

11.1 Kerosene is generally sold in 18.18 litre tins (4 I.G.). The basic ceiling selling price of packed Kerosene should, therefore, include the cost of containers and the filling-in charges. The cost of manufacture and filling-in charges for 100 containers for the two major oil companies for the years 1958/59 are indicated below:—

	Burmah Shell		S.V.O.C.	
	1958	1959	1958	1959
	Rs.	Rs.	Rs.	Rs.
Cost of tin plate	137·29	134·17	140·02	135·61
Less scrap	2·36	1·76	2·19	1·85
Net cost of tin plates	134·93	132·41	137·83	133·76
Other materials	11·80	11·77	8·93	9·01
Manufacturing cost	13·52	13·18	14·99	14·12
Less other recoveries	0·26	0·08	..	..
	159·99	157·28	161·75	156·89
Filling-in expenses	6·32	6·32	3·52	3·58
TOTAL COST	166·31	163·60	165·27	160·47

11.2 In estimating the future cost, we have adopted the average price of imported and indigenous tin plate at Rs. 1,407·4 per metric ton and the average consumption of tin plate at 113·40 Kg. for 100 containers. The manufacturing and filling-in cost has been estimated at Rs. 187·5 for 100 containers made up as follows:—

	Cost per 100 containers
	Rs.
Cost of tin plate for 113·40 Kg. at Rs. 1·4074 per Kg.	159·60
Less scrap	2·07
Net cost	157·53
Other materials	11·02
Manufacturing cost	13·38
Filling-in expenses	5·60
	187·53
	or say Rs. 1·88 each.

CHAPTER 12—Pooling Of Port Charges

12.1 Import wharfage/river dues and other statutory landing charges are levied at each port on different petroleum products. The quantum thereof is included in the landed cost of the respective product for purposes of determination of the relevant selling price.

12.2 A detailed Questionnaire on this subject was issued to all the Oil Companies and the Ministry of Transport and Communications (Department of Transport). The replies received show that the following approximate percentage difference exists in the current charges as levied by port authorities for some of the major petroleum products, taking Bombay as the base:—

	Motor Spirit	High Speed Diesel Oil	Superior Kerosene	Furnace Oil
Bombay	100	100	100	100
Okha	26	50	81	43
Kandla	75	67	146	61
Cochin	58	53	108	60
Madras	58	53	100	56
Vishakhapatnam	43	46	103	49
Calcutta	205	93	190	115

12.3 A flat rate could be achieved by Government establishing a standard tariff for all ports in India, which would eliminate the necessity of any adjustments of different rates levied at present at the different ports. In the absence of a standard rate laid down by Government, variations of under and over recoveries can be adjusted through the medium of some form of a 'pool' in the country, to be maintained by the individual Oil Companies.

12.4 Wharfage and landing charges included in the landed cost of the major petroleum products as on 31st December 1960 are:—

Port	Motor Spirit	High Speed Diesel Oil	Superior Kerosene	Furnace Oil
	Per Kilolitre			Per M. Ton
	Rs.	Rs.	Rs.	Rs.
Bombay	10·95	7·03	3·29	6·43
Okha	2·86	3·55	2·65	2·76
Kandla	8·23	4·69	4·79	3·91
Cochin	6·33	3·73	3·54	3·85
Madras	6·30	3·70	3·30	3·63
Vishakhapatnam	4·70	3·20	3·40	3·12
Calcutta	22·49	6·53	6·24	7·40

12.5. The All-India weighted average rate per kilolitre/metric ton on the basis of one of the major company's latest known percentage of throughput/receipts at the different ports is as follows:—

	Rs.
Motor Spirit	12·17
High Speed Diesel Oil	5·27
Superior Kerosene	4·14
Furnace Oil	5·57

This will show that the effect of product-wise 'pooling' is not uniform. Calcutta benefits in the case of all the four products, Bombay in respect of High Speed Diesel Oil and Furnace Oil and Kandla in respect of Kerosene only.

12.6. A flat basis for different ports in India would be disadvantageous to the industries located in and around the port cities, where, at present, the incidence of port charges is low.

12.7. The introduction of a 'flat' All-India rate in the landed cost will result in increased drawals from the ports, where the wharfage charges are at present high and this may upset the present transportation arrangements.

12.8. Even if supply areas are arbitrarily fixed, the 'pooling' may result in unhealthy competition with the diversion of trade from port areas where the 'pool' charges are less than the actual port charges.

12.9. The Ministry of Transport and Communications (Department of Transport) is of the view that port charges are only a tiny fraction of the sale price of any commodity, particularly oil. The cost of services performed at a port is undoubtedly one of the considerations in fixing that charge. The charges vary according to what the traffic can bear. The financial problems of different ports differ and the ports adjust the rates according to the volume of the traffic and finances, taking care not to tax any one commodity unduly and having regard to the consumers' interests and export considerations. In short, major ports keep the overall national interests fully in view while adjusting the rates.

12.10. We feel that the introduction of a flat rate will not result in uniform prices at the different ports as the landed cost of each major product determined on the basis of import parity will continue to differ on account of difference in marine freight from the source of supply in Persian Gulf upto the Indian port concerned. The introduction of a 'pool' will be advisable only if the principle of the flat rate is extended to Railway freight also, so as to make the products available at uniform prices at all places in the country. Elsewhere we have discussed the possibility of having a common Railway freight for all destinations and have found that it would not be practicable to have such a common freight rate. We are, therefore, of the view that the introduction of uniform port charges in the price structure will not be advisable.

CHAPTER 13—Pooling of Railway Freight

13.1. Under the present arrangement ceiling selling prices of Bulk Refined Products are determined ex/f.o.r. Main Port Installations. For supplies ex-upcountry stations, the companies are entitled to recover railway freight by the most economic route from the Main Port to the upcountry point at the tariff applicable from time to time, provided that in case movement of such products by the most economic route is restricted or prevented for a period exceeding 15 days, for any reasons beyond the control of the oil companies, it is open to them to add to the ceiling selling prices at the upcountry point, an amount equivalent to the extra freight being incurred on the alternative route or routes made available, till such time as the most economic route is restored.

13.2. A detailed questionnaire regarding the evolution of a railway freight pool system in respect of all products, was issued to all the oil companies and the Railway Board.

13.3. No railway freight pool system is followed in the country at present by any oil company, except by the B.O.C. (I.T.) Ltd., who maintains a freight pool system for the marketing of Motor Spirit and Kerosene in Assam, Manipur and Tripura based on the pooling of all transport and handling charges.

13.4. According to the Railway Board, there is no commodity on which Railways charge the same standard equated freight for all consignments irrespective of the distance over which such consignments are carried. In regard to petroleum products particularly, no scheme for a 'Freight Pool System' was received by the Railway Board during the last 10 years, nor have the Railways ever been consulted by any industry regarding the evolution of a 'Railway Freight Pool System' for any particular commodity. Even where the industry has introduced on its own, a 'Freight Pool System', the Railway Board levies freight charges on commodities according to the distance over which each consignment is actually carried.

13.5. To make it possible to have a freight pool, there should be throughout the country a regular supply of standard type wagons, uniform gauges and uniform tariffs on a weight mileage system. There should also be good main highways and satisfactory subsidiary roads, for fast moving traffic.

13.6. The advantage of freight pool system is that it helps in removal of locational disadvantages for the Industry and stimulates and accelerates industrialisation in upcountry areas, which are at present unattractive economically on account of high cost of fuel.

13.7. Of all the oil companies only one, *viz.*, B.O.C. (I.T.) Ltd., has supported the formation of the freight pool.

13.8. The bulk of the Refined Petroleum Products are at present consumed in or around the port towns. Industries have also been encouraged in these areas on account of the comparatively lower cost of fuel, under the present railway freight structure. The creation of a freight pool will necessarily result in increased cost to the consumers in these areas and may mean considerable hardship to industries located there. It would be doing violence to the price levels of the various manufactured goods in the country, if the cost of fuel were to rise considerably, as a result of introduction of the freight pool. The balance of convenience, therefore, lies in the maintenance of the *status quo*.

13.9. The question of adoption of 'Freight Pool System' for some essential commodities basic to the life of the people or for the development of industries in the different regions of the country was considered by the Railway Freight Structure Enquiry Committee (1955—57), who came to the conclusion that this method of encouraging certain areas, where industrial development is backward, is not justified. The Committee, therefore, did not recommend the formation of a freight pool for any of the essential commodities. The considerations, which weighed with that Committee in coming to this conclusion, hold good for petroleum products also.

13.10. B.O.C. (I.T.) Ltd., which has been operating a freight pool system in its areas which are earmarked for its operations may, however, continue to do so.

CHAPTER 14—Common Railway Tariff for Dangerous and Non-Dangerous Products

14.1. Petroleum and other hydrocarbon oils are classified at present as dangerous or non-dangerous according as the flash point is below 24·4°C or at or above 24·4°C. The different products are thus classified as under for purposes of railway tariff:—

(a) **Petroleum and other hydrocarbon oils, dangerous, i.e., having a flash point below 24·4°C.**

Aviation Spirit.
Benzene.
Benzine (Petrol).
Benzol.
Benzole.
Benzoline.
Crude Oil.
Ethyl Aviation Spirit.
Gasolene (Gasoline).
Leaded Aviation Spirit.
Lighter Fluid.
Motor Spirit.
Petrol (Benzine).
Petroleum ether.
Solvent Oil.

(b) **Petroleum and other hydro-carbon oils, non-dangerous, i.e. having a flash point at or above 24.4°C.**

Aeromex Oil.
Cleaning Oil.
Colza (Mineral) Oil.
Diesel Oil.
Heavy Disel Oil.
High Speed Disel Oil.
Jet Turbine Fuel.
Kerosene or Paraffin Oil, non-dangerous.
Light Diesel Oil.
Liquid Fuel.
Marine Diesel Oil.
Naptha, solvent having a flash point at or above 24·4°C.
Refrigerator Burning Oil.
Tea Drier Oil.

Vapourising Oil.
Furnace Oil.
Gas Oil.

14.2. Lubricants, Bitumen, Chemicals and Specialities etc., are covered by the standard general tariff as applicable to the products concerned.

14.3. Petroleum and other inflammable liquids are not accepted for transport as forming part of a consignment with other goods as laid down in Rule 305·1 page 83 of the Indian Railway Conference Association (IRCA) Red Tariff No. 18. Packages, consignments or wagons containing more than one class of goods are dealt with for levy of freight in accordance with Rule 87 of IRCA Goods Tariff No. 30.

14.4. Mineral Turpentine, Jute Batching Oil, Sleeper Oil, Wood Oil and Wax have been separately classified, taking into account their transportation characteristics, *viz.*, price, uses, transit risks, density, etc.

14.5. Railway freight is levied on telescopic basis and the rate for dangerous products is nearly double that of non-dangerous products.

14.6. The Oil Companies and the Railway Board are of the view that the precautions observed for the loading and unloading of consignments will have to be observed, even if the categorization of petroleum products into dangerous and non-dangerous is abolished.

14.7. The adoption of a common railway tariff for both dangerous and non-dangerous products involves either:—

(i) the downgrading of the existing classification for dangerous products to the level of that for non-dangerous products, or

(ii) the upgrading of the existing classification for non-dangerous products to the level of that for dangerous products, or

(iii) the introduction of a mean classification for both.

14.8. The proposal at (i) above will result in substantial reduction in Railway revenues, since Railway carries approximately 7 lakh tons of dangerous petroleum products annually. Such a measure may result in there being no change in the pattern of consumption in Aviation Turbine Fuel, Kerosene, Furnace Oil, and Light Diesel Oil, but it may result in stimulating demand to a limited extent for Motor Spirit.

14.9. The effect of the proposal at (ii) will be that all tank wagons will have to be calibrated according to the dangerous petroleum classification, *i.e.*, allowing 5 per cent. air space. This will mean that on every non-dangerous petroleum despatch, lesser quantities equivalent to 2½ per cent. air space, will be carried on each

tank wagon. Estimating 80 per cent. of the total tank wagon movements being on non-dangerous petroleum account, the proposal will lead to tremendous loss of carrying capacity.

14.10 Moreover, aviation in India will generally become more expensive except at main ports, because of increased incidence of freight on Aviation Turbine Fuel at the higher rate. Foreign Airlines would be discouraged from uplifting their fuel requirements in places like Palam; consequently there will be loss of foreign exchange earnings. Kerosene, which is classified as non-dangerous will, as a result of adoption of higher tariff, go up in prices and will affect the common man.

14.11 The higher tariff will accentuate the existing differential between the main ports and the upcountry consumers in regard to High Speed Diesel Oil, which may lead to misuse of Kerosene in high speed diesel engines.

14.12 The adoption of the proposal at (iii) above will result in there being no appreciable change in the pattern of consumption of Kerosene, High Speed Diesel Oil and Light Diesel Oil. There may be a reduction in the demand for Furnace Oil and Aviation Turbine Fuel, but the demand for Motor Spirit may increase to some extent.

14.13 The Railway Board is, however, of the view that the application of a common rate both to dangerous and non-dangerous products will strike at the very root of the differential method of charging in force over the Indian Railways.

14.14 Since higher rates payable on dangerous products are based on the special precautions, which the Railways have to take and since it is not suggested that such precautions should in any way be relaxed, we are unable to recommend that a common tariff rate should be fixed for all types of products. If at all a common tariff rate is to be introduced, it will have to be a rate higher than the rate for non-dangerous products but not much above the rate for the non-dangerous category. This may not be feasible in view of the additional cost to the Railways for the transportation of the dangerous category, irrespective of such classification. We, therefore, recommend that the present classification in regard to freight should continue.

CHAPTER 15—Profit

15.1 In determining a fair rate of profit for the marketing companies, account has been taken of the nature of business, volume of trade and the return allowed to the different industries by the various bodies concerned with price fixation.

15.2 We have examined the various bases for calculating fair profits and have come to the conclusion that the return on capital employed will be most appropriate. In broad terms, the capital employed in a business comprises of net fixed assets *plus* current assets *minus* current liabilities. Having accepted the capital employed basis as reasonable, the question is to determine a fair rate of return. Normally the return should be adequate to meet all commitments like bonus, taxation etc., and provide a reasonable dividend to the shareholders.

15.3 Based on the capital employed by the two major oil companies (*viz.* Burmah Shell and S.V.O.C. in 1959), we have estimated the requirements of capital employed for both the companies for the increased volume of business for the future, after taking into account the discount on the posted prices, at Rs. 7,536 lakhs or Rs. 106·39 per kilo-litre. We consider that a return of 12 per cent. on the capital employed would be adequate. We have apportioned the total profits to the different groups of products *viz.*, 'Bulk Refined Products and Bitumen', 'Lubricants and Greases' and 'Specialities', in the ratio of their net realisation in the past. The share of profit applicable to the Bulk Refined Products and Bitumen is distributed among the different products on the basis of the total costs. The profit per unit is indicated below:—

	Rs.	
Aviation Spirit/Gasoline	25·70	kilolitre
Aviation Turbine Fuel	9·49	,,
Motor Spirit/Gasoline	20·46	,,
High Speed Diesel Oil	19·20	,,
Kerosene	8·77	,,
Vapourising Oil	18·91	,,
Light Diesel Oil	8·57	,,
Furnace Oil	5·51	metric ton
Bitumen	11·41	,,
Lubricants & Greases	29·94	kilolitre
Specialities	6·38	,,

CHAPTER 16—Future Ceiling Selling Prices

16.1.1 **(a) Bulk Refined Products and Bitumen.**—The detailed break-up of the basic ceiling selling prices, estimated by us for Bulk Refined Products, Bitumen and Bitumenous compounds at the various ports are shown in Statements No. 1—14 and a summary thereof is given in the table below:—

ESTIMATE OF BASIC CEILING SELLING PRICES EX-OIL COMPANY'S STORAGE POINTS FOR BULK REFINED PRODUCTS

Details	Unit	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Aviation Spirit/Aviation Gasoline 100/130 Octane	Kilolitre	593·25	..	595·41	593·03	597·85	596·38	614·37
Aviation Spirit/Aviation Gasoline 115/145 Octane	„	608·70	..	610·90	608·48	613·20	611·73	629·72
Aviation Spirit/Aviation Gasoline 73 Clear	„	568·11	..	570·29	567·89	572·66	571·19	589·18
Aviation Turbine Fuel	„	232·94	232·26	231·11	232·70	238·41	238·21	241·97
Motor Spirit/Motor Gasoline	„	497·70	493·59	499·87	497·48	502·26	500 85	518·78
High Speed Diesel Oil (H.S.D.)	„	465·48	464·80	466·96	465·28	471·66	471·38	474·83
Kerosene Superior	„	239·44	238·76	237·61	239·77	244·94	244·74	248·50
Kerosene Inferior	„	210·23	209·55	208·30	210 56	215·99	215 79	219·55
Vaporising Oil	„	469·58	468·90	467·68	469·91	475·27	475·07	478·83
Light Diesel Oil	„	232·78	231·47	234·44	233·07	239·24	238·92	242·61
Furnace Oil	Metric Ton	131·10	129·57	133·05	131·44	138·65	138·28	142·61
Bitumen Straight Grades	„	295·71	293·36	262·59	294·27	303·34	305·85	308·52
Bitumen Cutbacks	„	342·85	340·70	317·95	341·41	350·63	353·19	355·86
Bitumen Cutbacks/R.C. Grades	„	352·74	350·59	327·84	351·30	360·51	363·08	365·75

The above prices shall be subject to the addition of the following for the respective products :

(*i*) A differential of Rs. 1·88 per 18·18 litre (4 I.G.) tin for delivery of Bulk Refined Products in packed containers. (Principally Kerosene and H.S.D.)

(*ii*) *Aviation Spirit/Gasoline and Aviation Turbine Fuel*

(*a*) Differential of Rs. 38·28 per Kilolitre for Aviation Spirit/Gasoline and Rs. 24·44 per Kilolitre for Aviation Turbine Fuel for sales ex-outlets at International Airfields.

(*b*) Differential of Rs. 55·78 per Kilolitre for Aviation Spirit/Gasoline and Rs. 41·94 per Kilolitre for Aviation Turbine Fuel respectively for sale ex-outles at airfields other than International Airfields.

(*iii*) *Motor Spirit and High Speed Diesel Oil* :

(*a*) A differential of Rs. 54·58 per Kilolitre inclusive of fixed commission to dealers for Motor Spirit/Motor Gasoline and a differential of Rs. 27·78 per Kilolitre inclusive of fixed commission for H.S.D. for sale ex-retail pump outlet within "Free Delivery Zone" in port and municipal towns.

(*b*) Charges at actual rates as at present for delivery beyond "Free Delivery Zone" for sale ex-retail pump outlets outside the "Free Delivery Zone" over and above the differentials at (*a*) above.

(*iv*) Fixed Commission to agents at the existing rates as indicated below for the respective products together with any extra cost at actual rates incurred by them for sales ex-their godowns.

(1) H.S.D.	Rs. 6·60 per Kilolitre
(2) Kerosene Superior/& Inferior	Rs. 7·70 per Kilolitre
(3) Vaporising Oil	Rs. 6·60 per Kilolitre
(4) Light Diesel Oil	Rs. 6·62 per Kilolitre

(*v*) (*a*) In case Bitumen Straight Grade is supplied in bulk (not packed in Drums), the relevant Customs Duty at 27 per cent on a provisional tariff value of Rs. 138 per metric ton, will have to be substitued.

(*b*) In the case of Bitumen ex-Digboi Refinery, the Customs Duty at 27 per cent on the respective tariff values will be substituted in arriving at the ceiling selling prices of Bitumen supplied in Assam Area.

16.1.2 The basic ceiling selling prices indicated earlier for each of the ports for the various Bulk Refined Products and Bitumen are applicable as under:—

Aviation Spirit/Aviation Gasoline and Aviation Turbine Fuel.	Ex-Oil Company's storage points and ex-Airfields.
Motor Spirit and High Speed Diesel Oil.	Ex-Oil Company's storage points and Vetail Pump Outlets within free delivery zone.
Kerosene, Vaporising Oil, Light Diesel Oil, Furance Oil and Bitumen	Ex-Oil Company's storage points.

16.1.3 Over and above the basic ceiling selling prices and the differential admissible, the following further charges will also be recoverable, wherever applicable:—

(a) **Railway Freight.**—For Bulk Refined Products and Bitumen at the Bulk tariff rates applicable from time to time for despatches by rail by the most economical route from the nearest Main Installation from which supplies are normally made, except where deliveries are effected in packed containers, such railway freight at packed rates. In case movement of these products by the most economical route is restricted or prevented for a period exceeding 15 days for any reason beyond the control of the oil companies, it shall be open to them to charge, with the approval of the Government, by way of railway freight, an extra amount equivalent to the extra railway freight incurred on the alternative route or routes made available to them, till such time as the most economical route is restored.

(b) **Local duties and Taxes.**—Sales Tax, Local Taxes/Duties, Octroi, etc., at the rate/quantum applicable from time to time at the place of sale.

(c) **Specific delivery charges.**—Delivery charges at the rates applicable for effecting deliveries of Motor Spirit and H.S.D. beyond the 'free delivery zone'.

Delivery charges at actual rates for effecting deliveries of Bulk Refined Products other than Motor Spirit, H.S.D., Aviation Spirit/Gasoline and Aviation Turbine Fuel and also for Bitumen and Bitumenous compounds, beyond the Oil Companies' storage point.

(d) **Returnable package charges.**—At the present rates.

16.2 **(B) Lubricants, Greases and other Specialities.**—We have recommended in Chapter 7 para 7.13.5 that control on these products should be imposed by fixing a ceiling limit for Marketing and Distribution charges and Profit margin on an average for all the products grouped as (i) Lubricants and Greases, and (ii) Specialities. The proposed ceiling for the two groups will be as follows:—

	Lubricants and Greases Rs./ Kilolitre	Specialities Rs./ Kilolitre
1. Marketing and Distribution charges	93·08	24·90
2. Profit	29·94	6·38
	123·02	31·28

CHAPTER 17—Comparison of Proposed Basic Ceiling Selling Prices with the Corresponding Existing Prices

17.1 The table below indicates the differences between our estimates and the existing basic ceiling selling prices:—

COMPARISON OF THE PROPOSED CEILING SELLING PRICES WITH THE CORRESPONDING EXISTING PRICES AND THE ANTICIPATED REDUCTION

Details	Aviation Spirit Kilolitre	A.T.F. Kilolitre	Motor Spirit Kilolitre	H.S.D. Kilolitre	Kerosene Kilolitre	Vaporising Oil Kilolitre	L.D.O. Kilolitre	Furnace Oil Metric Ton	Bitumen Metric Ton
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1. Existing Ceiling Selling Price—Bombay/Calcutta Average	614·26	236·54	589·52	493·30	264·44	481·74	278·25	148·29	325·64
2. Proposed Ceiling Selling Price—Bomaby/Calcutta Average	604·89	236·54	563·90	498·67	243·05	473·25	238·52	137·83	285·55
3. Reduction (1—2)	9·37	..	25·62	(—)5·37	21·39	8·49	39·73	10·46	40·09
4. Volume (1000 units)	88·65	327·31	986·94	1938·41	2596·67	24·09	763·46	1055·00	342·00
5. Reduction for the Total Volume Rs./lakhs (3×4)	8·31	..	252·85	(—)104·09	555·43	2·04	303·32	110·35	137·11
6. Reduction on International Airfield Surcharge Rs.	34·31	48·15	..	..	..	..	..	..	—
7. Volume (1000 units)	47·61	132·73	..	..	..	..	..	..	..
8. Reduction for the Total Volume Rs./lakhs (6×7)	16·33	63·91	..	..	..	..	..	..	..
9. Reduction on other Airfield Surcharge Rs.	67·41	81·25	..	..	..	..	..	..	..
10. Volume (1000 units)	20·40	23·42	..	..	..	..	..	..	..
11. Reduction for the Total Volume Rs./lakhs (9×10)	13·75	19·02	..	..	..	..	..	..	..
12. Total Reduction Rs./lakhs (5+8+11)	38·39	82·94	252·85	(—)104·09	555·43	2·04	303·32	110·35	137·11

	Rs./lakhs
Total Reduction in Bulk Refined Products	1241·23
Reduction in Bitumen	137·11
	1378·34

17.2 In making this comparison, we have adopted the average of the Bombay and Calcuta prices as a major portion of the supplies are made from these ports. In respect of H.S.D., we have taken into account the effect of the creation of the free delivery zone. We have calculated the impact of this reduction on the anticipated volume in 1962 for the major oil companies including sales to International Aircraft. 'The estimated reduction for 1962 for the sales by the three major oil companies from the existing ceiling selling prices amounts to Rs. 13·78 crores of which the Bulk Refined Products account for Rs. 12·41 crores. This latter amount of Rs. 12·41 crores is made up as follows:—

(i) Rs. 4·89 crores on account of the actual difference between the posted prices as on 24th May 1961 and 1st November 1959 (the existing ceiling selling prices are based on the f.o.b. postings as on 1st November 1959).

(ii) Rs. 6·54 crores towards discounts in the posted prices of the Bulk Refined Products as assumed in para 6.14.

(iii) Rs. 3·34 crores towards distribution charges and profit margin.

(iv) The total of Rs. 14·77 crores at (i), (ii) and (iii) above is offset by Rs. 2·36 crores towards the non-recoverable additional excise levy imposed from 15th April, 1961 on Kerosene (Superior and Inferior) and Aviation Turbine Fuel to appropriate the C. & F. Adjustment Account standing in favour of the Government prior to this date with the Oil Companies.

17.3 The new ceiling selling prices proposed by us include all the basic customs duties and surcharges as on date including the additional non-recoverable excise levy on Kerosene and Aviation Turbine Fuel.

17.4 It is not possible to give a similar comparison in respect of Lubricants and Greases and Specialities as prices for individual products have not been evolved.

CHAPTER 18—General—Period of Pricing Formula and the Fluctuation in the Price Structure

18.1 We note that the Government has already notified to the oil companies that the *ad hoc* Agreement governing price structure obtaining at present will come to an end on 31st August 1961. We, therefore, recommend that the basic ceiling selling prices evolved by us for Bulk Refined Products and Bitumen should come into effect from the date of termination of the existing *ad hoc* Agreement and remain in force till 31st March 1965, subject to adjustments being made to give effect to any changes which may take place on account of any or all of the following factors:—

(i) Fluctuations in posted f.o.b. cost as provided in para 7.5.14 of chapter 7 from 24th May 1961 subject to discounts indicated in para 6.14 [see note (i) below].

(ii) Fluctuations in AFRA rates as from those applicable for the quarter April/June 1961, as mentioned in para 7.5.1.17 [see note (ii) below].

(iii) Variations in the total of the basic and additional excise/import duties levied at present.

(iv) Variations in rates of statutory and other compulsory landing charges.

(v) Variations in the prices of tin plate as compared with the assumed rate of Rs. 1407·4 per metric ton.

(vi) War risk insurance if and when an emergency arises as stated in para 7.5.1.20.

(vii) Re-valuation of currencies.

Note (i).—In the case of Bitumen, we have calculated the basic ceiling selling prices on the basis of the f.o.b. price shown in invoice dated 24th February 1961.
Variations in this price from time to time will be a factor in the adjustment of the basic ceiling selling price of this product.

Note (ii).—Any change in the freight rates indicated by the London Freight Brokers Conference, subsequent to 12th January 1961 will be a factor for variation in the basic ceiling selling prices of Bitumen at ports other than Bombay.

18.2 At present there is no control on the prices of Lubricants/Greases and Specialities. The general control on Lubricants and Greases as one group and Specialities as another group may be imposed, as recommended earlier, with effect from 1st September 1961. This control may also remain in force upto 31st March 1965.

CHAPTER 19—Imbalance in Production and Consumption of Products

19.1 We have been informed that over the past few years, the consumption pattern of Motor Spirit and H.S.D. has undergone a marked change along with increased consumption of Kerosene. This has been brought about by the preference of the consumers for a fuel, which will give them maximum return for minimum input. The position which obtains in the country today is that, whereas the producti n of Motor Spirit has gone up considerably, the demand for it has not kept pace with it and the country is left with a large surplus. In the case of H.S.D. we notice that the reverse is the case. One of the terms of reference of the Committee is to examine the extent to which the price mechanism in respect of petroleum products should be used for the purposive influencing of production, transportation, distribution and consumption, keeping in view the needs of conservation of foreign exchange, stabilisation of prices, raising of internal resources and overall development of economy.

19.2 As is happening in other countries, India is likely to face during the Third Plan period this problem of imbalance, specially of Motor Spirit in relation to output and demand. In view of the all-round expansion of refining capacity in the neighbouring countries, the possibility of exporting surplus gasoline will become progressively more difficult. In India, the demand for High Speed Diesel Oil is increasing rapidly due to dieselisation of existing vehicles and to the increasing number of commercial vehicles being used in the country. This is not an isolated phenomenon. In recent years, there has been a world-wide trend towards dieselisation of road transport, the basic reason being the superiority of the diesel engine over the petrol engine, in regard to performance, economy and efficiency. The use of road transport in India will increase sharply both for passenger and goods traffic during the next few years. Moreover, the programme of the railways of dieselisation of locomotives will add considerably to the consumption of diesel oil and thus further aggravate the situation.

19.3 Kerosene is a popular medium for illumination and its demand emanates mostly from the rural areas. The prospects of electricity replacing Kerosene as a household medium of illumination in the villages are rather remote as rural electrification is yet in its infancy in this country. Kerosene has become increasingly popular as cooking fuel, especially in urban and semi-urban areas, on account of the comparative convenience in its use. The growing population and increasing incomes will increase the demand for Kerosene both in the rural and urban areas. Consequently, the problem of imbalance of production and consumption of middle distillates, like Kerosene, H.S.D., will become more acute in the coming years, involving drain on foreign exchange required for import of deficit products.

19.4 The solution would partially be in technological advancement in which the oil companies have already played and could play an increasing role.

19.5 It is understood that the oil companies have examined the possibility of increasing the production of High Speed Diesel Oil by lowering its flash point. It is, however, learnt that the increase in the production of H.S.D. oil by this means will not be significant. The use of mixed fuel for diesel vehicles with a view to reducing the demand for High Speed Diesel Oil and increasing the consumption of Motor Spirit is also reported to be under examination. Among the more recent developments, the use of naptha (the light distillate from which Motor Spirit is made) for the manufacture of nitrogenous fertilizers and petro-chemicals will go a long way to solve the problem of surplus availability of Motor Spirit.

19.6 We consider that any adjustment of prices of High Speed Diesel and Motor Spirit is not likely to have the desired effect on the consumption pattern, on account of the superiority in performance of H.S.D. oil, manufactured in the country of almost exclusively diesel driven commercial vehicles, and the impending dieselisation of rail transport. Any steep increase in the price of H.S.D. oil may lead to increasing misuse of Kerosene in commercial vehicles in place of H.S.D. A large diversion of Kerosene for such use in commercial vehicles may create further shortage of this product and adversely affect the lower and middle classes.

19.7 Furnace Oil is expected to be surplus when the public sector refineries come on full stream. One way of avoiding the imbalance of Furnace Oil is to encourage industries which are situated away from the coalfields to switch over from coal to fuel oil. This will depend upon the economics of utilisation of fuel oil, *vis-a-vis* coal. If the industries are assured of a price of Furnace Oil not higher than that of coal for equivalent B.T.U. most of them may prefer use of Furnace Oil provided its regular supply is assured. Incidentally this may also result in lesser strain on the railway transport system.

19.8 In our view, the imbalance in the production and consumption of different petroleum products, which has resulted in imports of considerable magnitude, cannot be corrected by mere adjustment of prices. The solution has to be found in devising uses for the surplus products in industries where they have not so far been used, and by technological improvements, which may enable the refineries to adjust the production of various distillates in a manner which may approximate more to the consumption pattern.

CHAPTER 20—Unloading, Storage and Distribution of Petroleum Products

20.1 The Oil Companies were requested to furnish information regarding loading/unloading contracts in respect of a few selected upcountry depots and other information relating to the operation of such depots. Their replies show that no uniform procedure is followed by the Oil Companies for the conclusion of loading/unloading contracts, which are either negotiated or concluded by tenders. Such contracts have been concluded for varying periods, depending upon the circumstances in each station and the dependability of the contractors, but all such contracts do include provision for termination by prescribed notice. The contracts are also reviewed from time to time to provide for legitimate variations in the accepted rates for the various kinds of services provided therein.

20.2 The storage and distribution of petroleum products ex-upcountry depots is mostly controlled by the Companies themselves but in some cases, such control is also exercised by the Agents.

20.3 It will be noticed that the Oil Companies do the loading/unloading through a system of contractors appointed as a result of tender or by negotiations. The rates paid to these contractors are not, in our opinion, unreasonable. We have no recommendation to make, which might be an improvement on the present practice.

CHAPTER 21—Service Co-operatives For Distribution of Petroleum Products

21.1 The replies to our questionnaire show that none of the Oil Companies has any special scheme in operation at present for the distribution of petroleum products through Co-operatives. Service Co-operatives have, however, been utilised, wherever found suitable, for distribution of kerosene and other petroleum products. Some Co-operatives act as the agents/dealers of the companies, while others draw supplies direct from the companies for their own consumption. There are also some Co-operatives, to whom supplies are made under special arrangements by the agents/dealers of the oil companies for retail distribution.

21.2. In North India, some individual owners of trucks and buses have formed themselves into co-operative societies and in some cases they have been appointed dealers of the companies for distribution of Petrol and High Speed Diesel Oil.

21.3 In the Assam area in 1958, the Burmah Oil Company (India Trading) Ltd., Digboi appointed the Onpangkong Co-operative Society of NEFA as Agents, but no business is reported to have been done so far by this Society. The Naga Hills Co-operative Stores Ltd., are also acting as Agents of this Company in Kohima, but even this Co-operative Society is reported to have got into financial difficulties a few years ago. Recently, this Company has received a number of applications for agencies from Co-operative Societies.

21.4 Supply of petroleum products to Co-operative Societies depends in general on the value of business and the status of the Societies. In several countries, sales of petroleum products are reported to be made through Co-operative Societies. There are no Co-operatives specializing in the marketing of household petroleum products, such as Kerosene, but in some areas where Farm Societies are in operation, they serve as distribution outlets for Motor Spirit, Power Kerosene and Diesel Oils, and also handle illuminating Kerosene, incidentally.

21.5 The volume of business transacted by the Co-operative Societies in the distribution of petroleum products is small. As a result of the drive for the formation of Co-operative Societies for every village, or a group of two or three villages, it is expected that primary Societies transacting multiple type of business will be in operation soon. These Societies will distribute in rural areas farm products and farm requirements and other essential needs of the rural population. The volume of business, which is distributed in the rural areas, is bound to go up during the next few years and given the necessary finance the Co-operative Societies should be able to undertake this distribution. The State Governments have suggested that the primary societies could act as the retailers of the Apex Societies, who would

have greater financial resources. Whatever system is evolved for this purpose, we recommend that if Co-operative Societies are capable of undertaking distribution of Kerosene and other petroleum products, preference may be given to them, whenever opportunity for the introduction of a newcomer in this business presents itself. The Oil Companies have no preference for particular types of agents/dealers, so long as they are financially sound and otherwise competent to undertake the business.

CHAPTER 22—Summary of Conclusions and Recommendations

Our conclusions and recommendations are summarised below:—

1. All the three coastal refineries obtain their requirements of crude oil from their overseas suppliers, who are themselves not original producers/suppliers of crude oil. The companies are unable to disclose the names of their original suppliers. We fail to see why the companies could not deal with the original producers/suppliers of crude oil or furnish information regarding the names of such original producers/suppliers. The oil companies with their world-wide connections should normally be capable of dealing directly with the Consortium operating in Iran, in which their principals have interest, in respect of supplies through that source, and also with the original producers/suppliers at other places (Paragraphs 5.5.2, 5.6.2, 5.7.2 and 5.8).

2. The prices of crude oil are based on the posted prices thereof obtaining in the Persian Gulf, subject to discount on c.i.f. cost. With effect from 1st June 1960, Burmah Shell obtained a discount of about 8 per cent and from 1st July, 1960 S.V.O.C. obtained almost the same discount and Caltex too obtained almost the same discount with effect from August 1960. No discount was available on crude oil obtained from Indonesia. (Paragraphs 5.5.4, 5.6.4 and 5.7.4).

3. Caltex should press its suppliers for equivalent discount on "Minas" crude oil obtained from Indonesia or consider the discontinuance of the use of this oil in favour of a discounted crude oil from the Persian Gulf; unless Government is satisfied that the continued use of "Minas" crude oil is advantageous to the overall economy and conducive to saving in foreign exchange in regard to furnished products. (Paragraph 5.14).

4. The oil companies should recognise the advent of a new set of circumstances in a long term commitment of the nature of their Refinery Agreements and not insist on import of crude oil from sources of their choice only, so long as the profitability of the refinery is not affected, and at least, they should press on their suppliers for equivalent discount as available to India on a long term continuous basis on imports of the same quality of crude oil from sources other than traditional. (Paragraph 5.15).

5. It is difficult to appreciate how the intermediary firms, through whom supplies are obtained, subsist without charging anything extra on transactions passing through their hands. (Paragraphs 5.9 and 5.11).

6. It should normally have been possible for the oil companies to successfully bargain for discounts on posted prices for their requirements of crude oil, long before discounts were conceded at the current

rates. They should not only press on their suppliers for the continuance of discounts in future but also for increase in quantum thereof, consistent with the market trends prevailing from time to time. (Paragraph 5.13).

7. The discounts on posted prices of crude oil should, in more or less equivalent measure, be reflected in the pricing of end-products. The recent discounts on crude oil are not reflected in the prices of end-products and the benefit thereof is absorbed by the refiners/consignors. To this extent, their margin has been enhanced above the expectation envisaged at the time of conclusion of the Refinery Agreements. (Paragraph 5.16).

8. The availability of discounts on crude oil should be taken into account for allocation of foreign exchange. (Paragraph 5.17).

9. For import of deficit refined products, the procedure followed by the three major oil companies is almost similar to that for crude oil and our observations regarding the latter are equally applicable in regard to Bulk Refined Products for Burmah Shell and Caltex. (Paragraph 6.6).

10. The statement of the oil companies that the suppliers of Bulk Refined Products do not charge any fee or commission for the services rendered, apart from charging out-of-pocket expenses, does not stand to reason, particularly when the services rendered include even arrangement for financing. (Paragraph 6.7).

11. As discounts are admittedly available in crude oil, there is every reason to believe that the discounts should also be available on refined products. (Paragraph 6.8).

12. Two oil companies admitted that they obtain their imports at discounted prices. The products imported by them are not identical and the rates of discount vary for the different products. This shows that the availability of discounts depends upon the bargaining capacity of the individual marketing company. The major oil companies, with their world-wide connections and long experience in the oil business, should be able to exert sufficient pressure on the suppliers of Bulk Refined Products in obtaining discounts on their supplies. (Paragraph 6.10).

13. The stipulation in the Refinery Agreements for determination of prices of products on "import parity" is not intended to preclude the availability of supplies in the Indian market of products from sources other than those of the major oil companies. Therefore, it would be quite appropriate to base the landed cost of products on imports at cheaper rates, if available, from sources other than those, which have been normally utilised by the major oil companies provided continuous supply of equivalent quality is guaranteed. (Paragraph 6.11).

14. The inability of the oil companies to obtain discounts for the import of products from their suppliers is no proof of the position sought to be established that discounts are not available in the middle East. (Paragraph 6.12).

15. The major oil companies have been quoting for supplies, particularly H.S.D., rates lower than the landed cost of imports from Russia. Such under-quoting would only be possible, if substantial discounts were available to them on f.o.b. postings (Paragraph 6.13).

16. Discounts at the following rates have been taken in the determination of parity prices and the same should also be adopted for the calculation of foreign exchange requirements for imports of deficit products:—

Kerosene (Superior & Inferior)	10%	on f.o.b.
Aviation Turbine Fuel	10%	,,
High Speed Diesel Oil	10%	,,
Motor Spirit	5%	,,
Light Diesel Oil	9·3%	,,
Furnace Oil	3%	,,

(Paragraph 6·14)

17. S.V.O.C. should endeavour to reduce (and eventually eliminate altogether) the payment of charges to S.V.S.S., London and its New York Office. (Paragraph 6.16).

18. A pricing formula is evolved only for Bulk Refined Products and Bitumen. 'Lubricants and Greases' and 'Specialities have been grouped for the purpose of control of distribution costs and profits. Hot Heavy Stock, Low Sulphur Fuel Oil, Liquified Petroleum Gas, Boiler Fuel and Chemicals have been excluded from the purview of the proposed pricing formula (Paragraphs 7.1, and 7.2).

19 The f.o.b. cost of Bulk Refined Products shall be determined at the lowest posted prices of any company regularly posting in Abadan, as reported by Platt's Oilgram Daily Reporting Service (Paragraph 7.5.1.2).

20. In the prices evolved, f.o.b. quotations as applicable on 24th May 1961 (and reported in Platt's Oilgram Price Service No. 102, dated 25th May 1961) have been adopted, subject to discounts mentioned in paragraph 6.14. (Paragraph 7.5.1.4).

21. Ocean freight has been calculated at the AFRA rate ex-Abadan as applicable in the second quarter of 1961. (Paragraphs 7.5.1.11 and 7.5.1.17).

22. Bombay has been taken on a single port discharge, Madras/Vishakhapatnam/Calcutta on a double port discharge at the Calcutta rate and Kandla/Okha/Cochin on a double port discharge at the Cochin rate. (Paragraph 7.5.1.16).

23. Marine insurance, excluding War Risk Insurance has been included. War Risk Insurance will be added separately in case of emergency. (Paragraphs 7.5.1.18 and 7.5.1.20).

24. Ministry of Finance (Department of Economic Affairs) should take up with the Indian Insurance Companies Association, the question of undertaking marine insurance of petroleum products at the rates available to the oil companies from other sources. The risks covered should also be comparable to the risks covered under the arrangement at present followed by the oil companies. (Paragraph 7.5.1.19).

25. Ocean loss has been included in the pricing formula as a percentage on c.i.f. cost on the basis of the past experience of the oil companies. (Paragraph 7.5.1.21).

26. The factors adopted for the conversion of f.o.b. prices are indicated in paragraph 7.5.1.22.

27. Rate of exchange has been adopted at U.S. Dollars 2·80 per Pound Sterling (within a range of Dollar/Sterling of $ 2·78 to $ 2·82). The current rate of exchange of Pound Sterling at Rs. 13·3565 has been adopted. (Paragraph 7.5.1.23).

28. Basic Duties and Surcharges have been included in the prices as applicable for the imported counterpart, adjusted to normal temperature of the landing port on an all-India basis taken at 29·4°C or 85°F at the standard conversion factors referred to in Paragraph 7.5.1.22. In the event of variations in the level of Customs Duty and Surcharges resulting from discussions by the Oil Industry Metric Committee with the Ministry of Commerce and Industry, suitable adjustments should be made. (Paragraph 7.5.1.24).

29. Rates of wharfage included in the prices are as applicable during January 1961. (Paragraph 7.5.1.27).

30. Other compulsory landing charges are based on the past experience of the oil companies. (Paragraph 7.5.1.28).

31. In the absence of posted price for Bitumen, f.o.b. cost is determined on the basis of the Suppliers' invoices. For this, Bombay port landed cost is based on bulk parity, while for other ports, it is determined on packed parity. (Paragraph 7.5.2.5).

32. Marine freight for bulk Bitumen is included at the rates for premium rated vessels as applicable in the second quarter of 1961. Marine freight for packed supplies has been included at the rates indicated by the London Freight Brokers Association on 12th January 1961. (Paragraphs 7.5.2.6 and 18.1).

33. Insurance and Ocean loss have been provided on the same lines as for Bulk Refined Products. (Paragraph 7.5.2.7).

34. Customs Duty has been calculated at the rate of 27 per cent. on a provisional tariff value of Rs. 231 per metric ton for Straight Grades and Rs. 280 per metric ton for Cutbacks, both packed in drums. In case Bitumen Straight Grade is supplied in bulk, the relevant Customs Duty at 27 per cent. on a provisional tariff value of

Rs. 138 per metric ton will have to be substituted. In case of Bitumen ex A.O.C., the Customs Duty at 27 per cent. on the respective tariff value will be substituted. In the event of the tariff valuation being different suitable adjustment should be made in Customs Duty. (Paragraphs 7.5.2.8, 7.5.2.9 and 7.5.2.10).

35. To rationalise the distribution system for Motor Spirit and H.S.D., free delivery zone has been created for H.S.D., as for Motor Spirit. The oil companies should issue specific instructions, under advice to Government, that the dealers should not make a further charge on account of delivery of H.S.D., within the free delivery zone (Paragraph 7.9).

36 The expenses against which specific recoveries are made at present have been included in the prices. Delivery ex-Airfield pump will, therefore, no longer involve payment of extra charges. The oil companies should bring this fact prominently to notice at the Airfields. (Paragraph 7.10).

37. The charges for delivery beyond the companies' storage points of Kerosene, Vaporising Oil, Furnace Oil, Light Diesel Oil and Bitumen have been excluded from the basic ceiling selling prices. (Paragraph 7.11).

38. A differential between the selling prices at International Airfields and other internal Airfields has been maintained. Paragraph 7.12)

39. The three major oil companies handle approximately 89 per cent. of the entire trade in Lubricants and Greases and the balance is handled by smaller companies numbering about 175. The bulk of the sales of Lubricants and Greases is made from the Main Installations and only about 1/3rd of the sales are made at the up-country depots. (Paragraph 7.13.3).

40. For 'Lubricants and Greases' and 'Specialities', control should be imposed by fixing an overall ceiling limit for marketing charges and profit margin, on an average for all the products coming under these groups. The ceiling limit will be Rs. 123·02 per kilolitre for Lubricants and Greases and Rs. 31·28 per kilolitre for Specialities. (Paragraphs 7.13.5 and 16.2).

41. The oil companies shall be permitted to recover the cost of materials, blending charges and the packaging and filling-in charges at actual rates. In case recovery towards marketing and distribution charges and profit margins per unit during a financial period exceeds the ceilings proposed, the oil companies should suitably revise the price structure of the various products within the respective group. (Paragraph 7.13.7).

42. The prices for the A.O.C. products have been determined on parity with the prices ex f.o.r., Calcutta, subject to differential being maintained for lower diesel index of H.S.D. (Paragraph 8.12).

43. There has been a progressive increase over the past years in the consumption of petroleum products and the demand will continue to increase considerably during the Third Plan Period. (Paragraph 9.2).

44. The average increase in volume for each of the three years 1962—1964 is estimated at about 25 per cent. for the three major oil companies. (Paragraph 9.7).

45. The overall unit incidence in 1959 showed a decrease specially in regard to Bulk Refined Products as a group in respect of all the companies. This is largely attributable to increase in the volume of sales in 1959 over 1958. (Paragraph 10.5).

46. Burmah Shell and S.V.O.C. handle about 80 per cent. of the total sales of petroleum products and would, therefore, represent the cross-section of the Industry. In each of the three years 1962—1964, the estimate of sales will be about 22 per cent. over 1959 for Burmah Shell and about 25 per cent. over 1959 for S.V.O.C. (Paragraphs 10.6 and 10.7).

47. In estimating the future marketing and distribution charges, suitable provision has been made for (i) increase in expenditure for the higher anticipated volume of sales, (ii) for effecting free deliveries of Aviation Spirit/Gasoline and Aviation Turbine Fuel from the companies' storage points to the Air-field outlets/Aircraft and Motor Spirit/Gasoline and H.S.D. at the Retail Pump Outlets within the free delivery zone in port and municipal towns and (iii) for unrecovered freight and bridging costs. (Paragraphs 10.8 to 10.12).

48. The weighted average of the marketing and distribution charges of Burmah Shell and S.V.O.C. has been adopted as the fair incidence for the Industry. (Paragraphs 10.6 and 10.19).

49. The packed-bulk differential for 18.18 litre tins (4 I.G.) is assessed at Rs. 1·88 per container, based on the price of Rs. 1,407·4 per metric ton of tin-plate. (Paragraph 11.2).

50. Introduction of uniform port charges in the price structure is not considered advisable. (Paragraph 12.10).

51. Introduction of a railway freight pooling system is also not considered advisable and the maintenance of the *status quo* is recommended. B.O.C. (I.T.) Ltd., which has been operating a freight pool system in its area may, however, continue to do so. (Paragraphs 13.9 and 13.10).

52. The present classification of products into dangerous and non-dangerous categories in regard to railway freight should continue. (Paragraph 14.14).

53. Based on the capital employed in 1959 of Burmah Shell and S.V.O.C., the requirements of capital employed for both the companies for their future sales have been estimated. A return of 12 per cent. on capital employed has been allowed. (Paragraph 15.3).

54. The basic ceiling selling prices for Bulk Refined Products as evolved should be applicable for delivery as under:—

Aviation Spirit/Aviation Gasoline and Aviation Turbine Fuel.	Ex-Oil Company's storage points and ex-Airfields/Air-craft.
Motor Spirit and H.S.D.	Ex-Oil Company's storge points and Retail Pump Outlets within free delivery zone.
Kerosene, Vaporising Oil, Light Diesel Oil, Furnace Oil and Bitumen.	Ex-Oil Company's storage points.

Further charges will be payable, whenever applicable, on account of railway freight, local duties/taxes, specific delivery and supplies in returnable packages. Railway freight from companies' storage points to up-country points will apply at the bulk rate for bulk despatches and at the packed rate for supplies in packages. Paragraphs 16.1.2, 16.1.3 and 18.1).

55 The prices evolved should come into effect from 1st September 1961 and remain in force till 31st March 1965, subject to fluctuations as suggested. The control on Lubricants and Greases and Specialities should be valid for the same period. (Paragraphs 18.1 and 18.2).

56. The employment of price mechanism for the correction of imbalance is not favoured and the solution thereof should be sought in technological adjustments in production pattern and in finding alternative use for surplus products. (Paragraph 19.8).

57. The oil companies do the loading/unloading through a system of contractors appointed as a result of tenders or by negotiations. The rates paid are not unreasonable. (Paragraph 20.3).

58. If service co-operatives are capable of undertaking distribution of Kerosene and other Petroleum Products, preference should be given to them. (Paragraph 21.5).

CHAPTER 23—Acknowledgments

We wish to acknowledge the co-operation received from all the Oil Companies and other interests connected with the industry, the State Governments, Department of Mines and Fuel, Railway Board, Ministry of Transport and Communications (Department of Transport) and the major port authorities, who furnished us with valuable information. We are grateful to the various persons who gave oral evidence before us and thus simplified the matters at issue before us. We also wish to acknowledge the assistance given to us by Shri S. V Rajan, Senior Cost Accounts Officer and his associates. We would also like to place on record our appreciation of the zeal and efficiency with which Shri N. R. Law, Secretary of the Committee, and his staff. have helped us in collecting the mass of evidence, sorting it out and making it available to us for the completion of the enquiry.

(Sd.)
(K. R. Damle)
Chairman.

(Sd.)
(C. P. Sinha)
Member.

(Sd.)
(N. Krishnan)
Member.

(Sd.)
(N. R. Law)
Secretary.

NEW DELHI;
Dated, 19th July, 1961.

STATEMENT NO. 1

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT:—AVIATION SPIRIT/AVIATION GASOLINE 100/130 OCTANE. SELLING UNIT : *Kilolitre.*

(*Platt's oil gram specification—Avgas Grade* 100/130)

	Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
		Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	178·66	NO IMPORTS	178·66	178·66	178·66	178·66	178·66
	Less Discount	..		..	..	..	..	..
(i)	Net f.o.b.	178·66		178·66	178·66	178·66	178·66	178·66
(ii)	Freight	10·15		8·49	10·15	14·83	14·83	14·83
(iii)	Insurance at 0·0755% on f.o.b.	0·13		0·13	0·13	0·13	0·13	0·13
(iv)	Ocean Loss at 0·54% on c.i.f.	1·02		1·01	1·02	1·05	1·05	1·05
(a)	c.i.f.	189·96		188·29	189·96	194·67	194·67	194·67
(b)	Customs & Excise Duties	319·48		319·48	319·48	319·48	319·48	319·48
(c)	Additional Surcharge	6·63		6·63	6·63	6·63	6·63	6·63
(d)	Wharfage	5·72		9·55	5·50	5·61	4·14	22·13
(e)	Other Compulsory Landing Charges	0·66		0·66	0·66	0·66	0·66	0·66
(1)	Landed Cost	522·45		524·61	522·23	527·05	525·58	543·57
(2)	Installation	15·95		15·95	15·95	15·95	15·95	15·95
(3)	Administration	17·84		17·84	17·84	17·84	17·84	17·84
(4)	Distribution	11·31		11·31	11·31	11·31	11·31	11·31
(5)	Profit	25·70		25·70	25·70	25·70	25·70	25·70
(A)	Ex-Company's Storage Point	593·25		595·41	593·03	597·85	596·38	614·37
(6)	Airfields	38·28		38·28	28·28	38·28	38·28	38·28
(B)	Ex-International Airfields	631·53		633·69	631·31	636·13	634·66	652·65
(7)	Surcharge for other Airfields	17·50		17·50	17·50	17·50	17·50	17·50
(C)	Ex-other Airfield Outlets	649·03		651·19	648·81	653·63	652·16	670.15

STATEMENT No. 2

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT : AVIATION SPIRIT/AVIATION GASOLINE 115/145 OCTANE. SELLING UNIT : *Kilolitre*

(*Platt's oilgram specification—Avgas Grade* 115/145)

	Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
		Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	194·44	NO IMPORTS	194·44	194·44	194·44	194·44	194·44
	Less Discount	..		..	..	..	..	..
(*i*)	Net f.o.b.	194·44		194·44	194·44	194·44	194·44	194·44
(*ii*)	Freight	9·95		8·32	9·95	14·53	14·53	14·53
(*iii*)	Insurance at 0·0755% on f.o.b.	0·15		0·15	0·15	0·15	0·15	0·15
(*iv*)	Ocean Loss at 0·54% on c.i.f.	1·10		1·10	1·10	1·13	1·13	1·13
(*a*)	c.i.f.	205·64		204·01	205·64	210·25	210·25	210·25
(*b*)	Customs & Excise Duties	319·25		319·25	319·25	319·25	319·25	319·25
(*c*)	Additional Surcharge	6·63		6·63	6·63	6·63	6·63	6·63
(*d*)	Wharfage	5·72		9·55	5·50	5·61	4·14	22·13
(*e*)	Other Compulsory Landing Charges	0·66		0·66	0·66	0·66	0·66	0·66
(1)	Landed Cost	537·90		540·10	537·68	542·40	540·93	558·92
(2)	Installation	15·95		15·95	15·95	15·95	15·95	15·95
(3)	Administration	17·84		17·84	17·84	17·84	17·84	17·84
(4)	Distribution	11·31		11·31	11·31	11·31	11·31	11·31
(5)	Profit	25·70		25·70	25·70	25·70	25·70	25·70
(A)	Ex-Company's Storage Points	608·70		610·90	608·48	613·20	611·73	629·72
(6)	Airfields	38·28		38·28	38·28	38·28	38·28	38·28
(B)	Ex-International Airfields	646·98		649·18	646·76	651·48	650·01	668·00
(7)	Surcharge for other Airfields	17·50		17·50	17·50	17·50	17·50	17·50
(C)	Ex-Other Airfield Outlets	664·48		666·68	664·26	668·98	667·51	685·50

STATEMENT No. 3

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961.

PRODUCT :—AVIATION SPIRIT/AVIATION GASOLINE 73 (CLEAR) SELLING UNIT: *Kilolitre*

(*Platt's Oilgram Specification Avgas Grade 73 Clear*)

	Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
		Rs.		Rs.	Rs.	Rs.	Rs.	Rs.
	Posted *f.o.b.*	153·85		153·85	153·85	153·85	153·85	153·85
	Less Discount	..	..	..	..	..	..	..
(*i*)	Net *f.o.b.*	153·85	NO IMPORTS	153·85	153·85	153·85	153·85	153·85
(*ii*)	Freight	10·06		8·42	10·06	14·70	14·70	14·70
(*iii*)	Insurance at 0·0755 per cent on *f.o.b.*	0·12		0·12	0·12	0·12	0·12	0·12
(*iv*)	Ocean Loss at 0·54 per cent on *c.i.f.*	0·89		0·88	0·89	0·91	0·91	0·91
(*a*)	*c.i.f.*	164·92		163·27	164·92	169·58	169·58	169·58
(*b*)	Customs and Excise Duties	319·38		319·38	319·38	319·38	319·38	319·38
(*c*)	Additional Surcharge	6·63		6·63	6·63	6·63	6·63	6·63
(*d*)	Wharfage	5·72		9·55	5·50	5·61	4·14	22·13
(*e*)	Other Compulsory Landing Charges	0·66		0·66	0·66	0·66	0·66	0·66
(1)	Landed Cost	497·31		499·49	497·09	501·86	500·39	518·38
(2)	Installation	15·95		15·95	15·95	15·95	15·95	15·95
(3)	Administration	17·84		17·84	17·84	17·84	17·84	17·84
(4)	Distribution	11·31		11·31	11·31	11·31	11·31	11·31
(5)	Profit	25·70		25·70	25·70	25·70	25·70	25·70
(A)	Ex-Company's Storage Points	568·11		570·29	567·89	572·66	571·19	589·18
(6)	Airfields	38·28		38·28	38·28	38·28	38·28	38·28
(B)	Ex-International Airfields	606·39		608·57	606·17	610·94	609·47	627·46
(7)	Surcharge for other Airfields	17·50		17·50	17·50	17·50	17·50	17·50
(C)	Ex-other Airfield Outlets	623·89		626·07	623·67	628·44	626·97	644·96

STATEMENT No. 4

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT :—AVIATION TURBINE FUEL SELLING UNIT: *Kilolitre*

(*Platt's Oilgram Specification—Turbine Fuel* 1 (—58*F*)

Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Posted *f.o.b.*	114·34	114·34	114·34	114·34	114·34	114·34	114·34
Less—Discount at 10 per cent	11·43	11·43	11·43	11·43	11 43	11·43	11·43
(*i*) Net *f.o.b.*	102·91	102·91	102·91	102·91	102·91	102·91	102·91
(*ii*) Freight	11·17	11·17	9·35	11·17	16·32	16·32	16·32
(*iii*) Insurance at 0·0755 per cent on *f.o.b.*	0·08	0·08	0·08	0·08	0·08	0·08	0·08
(*iv*) Ocean loss at 0·25 per cent on *c.i.f.*	0·29	0·29	0·28	0·29	0·30	0·30	0·30
(*a*) *c.i.f.*	114·45	114·45	112·62	114·45	119·61	119·61	119·61
(*b*) Customs and Excise Duties	78·78	78·78	78·78	78·78	78·78	78·78	78·78
(*c*) Additional Surcharge	12·45	12·45	12·45	12·45	12·45	12·45	12·45
(*d*) Wharfage	2·29	1·61	2·29	2·05	2·60	2·40	6·16
(*e*) Other Compulsory Landing Charges	0·48	0·48	0·48	0·48	0·48	0·48	0·48
(1) Landed Cost	208·45	207·77	206·62	208·21	213·92	213·72	217·48
(2) Installation	4·97	4·97	4·97	4·97	4·97	4·97	4·97
(3) Administration	7·08	7·08	7·08	7·08	7·08	7·08	7·08
(4) Distribution	2·95	2·95	2·95	2·95	2·95	2·95	2·95
(5) Profit	9·49	9·49	9·49	9·49	9·49	9·49	9·49
(A) Ex-Company's Storage Points	232·94	232·26	231·11	232·70	238·41	238 31	241·97
(6) Airfields	24·44	24·44	24·44	24·44	24·44	24·44	24·44
(B) Ex-International Airfields	257·38	256·70	255·55	257·14	262·85	262·65	266·41
(7) Surcharge for other Airfields	17·50	17·50	17·50	17·50	17·50	17·50	17·50
(6) Ex-other Airfields Outlets	274·88	274·20	273·05	274·64	280·35	280·15	283·91

STATEMENT No.

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT : MOTOR SPIRIT/MOTOR GASOLINE SELLING UNIT: *Kilolitre*

(*Platt's Oilgram Specification*—79 Oct.)

	Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted *f.o.b.*	96·59	96·59	96·59	96·59	96·59	96·59	96·59
	Less Discount at 5 per cent	4·83	4·83	4·83	4·83	4·83	4·83	4·83
(*i*)	Net *f.o.b.*	91·76	91·76	91·76	91·76	91·76	91·76	91·76
(*ii*)	Freight	10·10	10·10	8·45	10·10	14·76	14·76	14·76
(*iii*)	Insurance at 0·0755 per cent on *f.o.b.*	0.07	0.07	0.07	0.07	0.07	0.07	0·07
(*iv*)	Ocean Loss at 0·33 per cent on *c.i.f.*	0·34	0·34	0·33	0·34	0·35	0·35	0·35
(*a*)	*c.i.f.*	102.27	102·23	100·61	102·27	106·94	106·94	106·94
(*b*)	Customs and Excise Duties	319·41	319·41	319·41	319·41	319·41	319·41	319·41
(*c*)	Additional Surcharge	6·63	6·63	6·63	6·63	6·63	6·63	6·63
(*d*)	Wharfage	5·72	1·61	9·55	5·50	5·61	4·20	22·13
(*e*)	Other Compulsory Landing Charges	0·64	0·64	0·64	0·64	0·64	0·64	0·64
(1)	Landed Cost	434·67	430·56	436·84	434·45	439·23	437·82	455·75
(2)	Installation	9·81	9·81	9·81	9·81	9·81	9·81	9·81
(3)	Administration	17·14	17·14	17·14	17·14	17·14	17·14	17·14
(4)	Distribution	15·62	15·62	15·62	15·62	15·62	15·62	15·62
(5)	Profit	20·46	20·46	20·46	20·46	20·46	20·46	20·46
(A)	Ex-Company's Storage Points	497·70	493·59	499·87	497·48	502·26	500·85	518·78
(6)	Retail Pump Outlets	12·78	12·78	12·78	12·78	12·78	12·78	12·78
(7)	Commission	41·80	41·80	41·80	41·80	41·80	41·80	41·80
(B)	Ex-Retail Pump Outlets within free Delivery Zone	552·28	548·17	554·45	552·06	556·84	555·43	573·36

STATEMENT No. 6

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT : HIGH SPEED DIESEL OIL SELLING UNIT: *Kilolitre*

(*Platt's Oilgram Specification* 53-57 *d.i.*)

		Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted *f.o.b.*	101·03	101·03	101·03	101·03	101·03	101·03	101·03
	Less :—Discount at 10 per cent	10·10	10·10	10·10	10·10	10·10	10·10	10·10
(*i*)	Net *f.o.b.*	90·93	90·93	90·93	90·93	90·93	90·93	90·93
(*ii*)	Freight	11·86	11·86	9·92	11·86	17·32	17·32	17·32
(*iii*)	Insurance at 0·0755 per cent on *f.o.b.*	0·07	0·07	0·07	0·07	0·07	0·07	0·07
(*iv*)	Ocean Loss at 0·31 per cent on *c.i.f.*	0·32	0·32	0·31	0·32	0·34	0·34	0·34
(*a*)	*c.i.f.*	103·18	103·18	101·23	103·18	108·66	108·66	108·66
(*b*)	Customs and Excise Duties	301·56	301·56	301·56	301·56	301·56	301·56	301·56
(*c*)	Additional Surcharge	6·62	6·62	6·62	6·62	6·62	6·62	6·62
(*d*)	Wharfage	2·29	1·61	5·72	2·09	2·99	2·71	6·16
(*e*)	Other Compulsory Landing Charges	0·53	0·53	0·53	0·53	0·53	0·53	0·53
(1)	Landed Cost	414·18	413·50	415·66	413·93	420·36	420·08	423·53
(2)	Installation	5·83	5·83	5·83	5·83	5·83	5·83	5·83
(3)	Administration	12·74	12·74	12·74	12·74	12·74	12·74	12·74
(4)	Distribution	13·53	13·53	13·53	13·53	13·53	13·53	13·53
(5)	Profit	19·20	19·20	19·20	19·20	19·20	19·20	19·20
(A)	Ex-Company's storage Points	465·48	464·80	466·96	465·28	471·66	471·38	474·83
(6)	Retail Pump Outlets	10·18	10·18	10·18	10·18	10·18	10·18	10·18
(7)	Commission *	17·60	17·60	17·60	17·60	17·60	17·60	17·60
(B)	Ex-Retail Pump Outlets within Free Delivery Zone	493·26	492·58	494·74	493·06	499·44	499·16	502·61

*The Commission figure has to be substituted by Rs. 6·60 for agents instead of Rs. 17·60 for dealers

STATEMENT No. 7

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT :—KEROSENE SUPERIOR SELLING UNIT : *Kilolitre*

(*Platt's Oilgram Specification—Kerosene*)

Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Posted f.o.b.	111·86	111·86	111·86	111·86	111·86	111·86	111·86
Less : Discount at. 10%	11·19	11·19	11·19	11·19	11·19	11·19	11·19
(*i*) Net f.o.b.	100·67	100·67	100·67	100·67	100·67	100·67	100·67
(*ii*) Freight	11·22	11·22	9·39	11·22	16·40	16·40	16·40
(*iii*) Insurance at 0·0755% on f.o.b.	0·08	0·08	0·08	0·08	0·08	0·08	0·08
(*iv*) Ocean loss at 0·25% on c.i.f.	0·28	0·28	0·28	0·28	0·29	0·29	0·29
(*a*) c.i.f.	112·25	112·25	110·42	112·25	117·44	117·44	117·44
(*b*) Customs & Excise Duties	78·79	78·79	78·79	78·79	78·79	78·79	78·79
(*c*) Additional surcharge	12·45	12·45	12·45	12·45	12·45	12·45	12·45
(*d*) Wharfage	2·29	1·61	2·29	2·62	2·60	2·40	6·16
(*e*) Other compulsory landing charges	0·48	0·48	0·48	0·48	0·48	0·48	0·48
(1) Landed cost	206·26	205·58	204·43	206·59	211·76	211·56	215·32
(2) Installation	5·89	5·89	5·89	5·89	5·89	5·89	5·89
(3) Administration	8·75	8·75	8·75	8·75	8·75	8·75	8·75
(4) Distribution	9·77	9·77	9·77	9·77	9·77	9·77	9·77
(5) Profit	8·77	8·77	8·77	8·77	8·77	8·77	8·77
(A) Ex-Company's storage poitnts	239·44	238·76	237·61	239·77	244·94	244·74	248·50
Packed/Bulk differential for 18·18 litres/4. I.G. tins	1·88	1·88	1·88	1·88	1·88	1·88	1·88

STATEMENT No. 8.

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT: KEROSENE INFERIOR SELLING UNIT : *Kilolitre*

(*Platt's Oilgram Specifications—No. 2 Fuel*)

	Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	95·87	95·87	95·87	95·87	95·87	95·87	95·87
	Less : Discount at 10%	9·59	9·59	9·59	9·59	9·59	9·59	9·59
(*i*)	Net f.o.b.	86·28	86·28	86·28	86·28	86·28	86·28	86·28
(*ii*)	Freight	11·79	11·79	9·87	11·79	17·23	17·23	17·23
(*iii*)	Insurance at 0·0755% on f.o.b.	0·07	0·07	0·07	0·07	0·07	0·07	0·07
(*iv*)	Ocean Loss at 0·25% on c.i.f.	0·25	0·25	0·24	0·25	0:26	0·26	0·26
(*a*)	c.i.f.	98·39	98·39	96·46	98·39	103·84	103·84	103·84
(*b*)	Customs & Excise Duties	63·42	63·42	63·42	63·42	63·42	63·42	63·42
(*c*)	Additional Surcharge	12·47	12·47	12·47	12·47	12·47	12·47	12·47
(*d*)	Wharfage	2·29	1·61	2·29	2·62	2·60	2·40	6·16
(*e*)	Other Compulsory Landing Charges	0·48	0·48	0·48	0·48	0·48	0·48	0·48
(1)	Landed Cost	177·05	176·37	175·12	177·38	182·81	182·61	186·37
(2)	Installation	5·89	5·89	5·89	5·89	5·89	5·89	5·89
(3)	Administration	8·75	8·75	8·75	8·75	8·75	8·75	8·75
(4)	Distribution	9·77	9·77	9·77	9·77	9·77	9·77	9·77
(5)	Profit	8·77	8·77	8·77	8·77	8·77	8·77	8·77
	Ex-Company's Storage Points	210·23	209·55	208·30	210·56	215·99	215·79	219·55
	Packed/Bulk differential for 18·18 litre/4. I.G. tins	1·88	1·88	1·88	1·88	1·88	1·88	1·88

STATEMENT NO. 9

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT : VAPORISING OIL

SHELLING UNIT : *Kilolitre.*

(Platt's Oilgram Specification—Tractor Vaporising Oil)

	Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	108·14	108·14	108·14	108·14	108·14	108·14	108·14
	Less Discount	..	..	..	..	..	..	..
(*i*)	Net f.o.b.	108·14	108·14	108·14	108·14	108·14	108·14	108·14
(*ii*)	Freight	11·61	11·61	9·72	11·61	16·97	16·97	16·97
(*iii*)	Insurance at 0·0755% on f.o.b.	0·08	0·08	0·08	0·08	0·08	0·08	0·08
(*iv*)	Ocean Loss at 0·35% on c.i.f.	0·42	0·42	0·41	0·42	0·44	0·44	0·44
(*a*)	c.i.f.	120·25	120·25	118·35	120·25	125·63	125·62	125·63
(*b*)	Customs & Excise Duties	280·37	280·37	280·37	280·37	280·37	280·37	280·37
(*c*)	Additional surcharge	6·62	6·62	6·62	6·62	6·62	6·62	6·62
(*d*)	Wharfage	2·29	1·61	2·29	2·62	2·60	2·40	6·16
(*e*)	Other compulsory landing charges	0·97	0·97	0·97	0·97	0·97	0·97	0·97
(1)	Landed Cost	410·50	409·82	408·60	410·83	416·19	415·99	419·75
(2)	Installation	11·66	11·66	11·66	11·66	11·66	11·66	11·66
(3)	Administration	13·20	13·20	13·20	13·20	13·20	13·20	13·20
(4)	Distribution	15·31	15·31	15·31	15·31	15·31	15·31	15·31
(5)	Profit	18·91	18·91	18·91	18·91	18·91	18·91	18·91
	Ex-Company's Storage Points	469·58	468·90	467·68	469·91	475·27	475·07	478·83

STATEMENT NO. 10

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT : LIGHT DIESEL OIL — SELLING UNIT : Kilolitre

	Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	91·14	91·14	91·14	91·14	91·14	91·14	91·14
	Less : Discuount* @9·6%	8·76	8·76	8·76	8·76	8·76	8·76	8·76
i)	Net f.o.b.	82·38	82·38	82·38	82·38	82·38	82·38	82·38
ii)	Freight	12·29	12·29	12·29	12·29	17·97	17·97	17·97
iii)	Insurance @ 0·0755% on f.o.b.	0·06	0·06	0·06	0·06	0·06	0·06	0·06
iv)	Ocean Loss @ 0·44% onc.i.f.	0·42	0·42	0·41	0·42	0·44	0·44	0·44
a)	c.i.f.	95·15	95·15	93·14	95·15	100·85	100·85	100·85
b)	Customs & Excise Duties	102·45	102·45	102·45	102·45	102·45	102·45	102·45
c)	Additional Surcharge	4·18	4·18	4·18	4·18	4·18	4·18	4·18
d)	Wharfage	2·44	1·13	6·11	2·73	3·20	2·88	6·57
e)	Other Compulsory Landing Charges	0·43	0·43	0·43	0·43	0·53	0·43	0·43
1)	Landed cost	204·65	203·34	206·31	204·94	211·11	210·79	214·48
2)	Installation	4·80	4·80	4·80	4·80	4·80	4·80	4·80
3)	Administration	7·79	7·79	7·79	7·79	7·79	7·79	7·79
4)	Distribution	6·97	6·97	6·97	6·97	6·97	6·97	6·97
5)	Profit	8·57	8·57	8·57	8·57	8·57	8·57	8·57
	Ex-Company's Storage Points	232·78	231·47	234·44	233·07	239·24	238·92	242·61

*90% No. 2 fuel and 10% Bunker C Fue.l.

STATEMENT NO. 11

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961.

PRODUCT : FURNACE OIL

SELLING UNIT : *Metric Ton.*

	Details	Kandla	Okha	Bombay	Cochin	Madras	Vizag.	Calcutta.
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
	Posted f.o.b.	52·00	52·00	52·00	52·00	52·00	52·00	52·00
	Less : Discount at 3%	1·56	1·56	1·56	1·56	1·56	1·56	1·56
(*i*)	Net f.o.b.	50·44	50·44	50·44	50·44	50·44	50·44	50·44
(*iii*)	Freight	14·41	14·41	12·06	14·41	21·06	21·06	21.06
(*iii*)	Insurance at 0·0755% on f.o.b.	0·04	0·04	0·04	0·04	0·04	0·04	0·04
(*iv*)	Ocean Loss at 0·11% on c.i.f.	0·07	0·07	0·07	0·07	0·08	0·08	0·08
(*a*)	c.i.f.	64·96	64·96	62·61	64·96	71·62	71·62	71·62
(*b*)	Customs & Excise duties	43·73	43·73	43·73	43·73	43·73	43·73	43·73
(*c*)	Additional Surcharge	4·90	4·90	4·90	4·90	4·90	4·90	4·90
(*d*)	Wharfage	2·86	1·33	7·16	3·20	3·75	3·38	7·71
(*e*)	Other compulsory landing charges	0·31	0·31	0·31	0·31	0·31	0·31	0·31
(1)	Landed cost	116·76	115·23	118·71	117·10	124·31	123·94	128·27
(2)	Installation	2·81	2·81	2·81	2·81	2·81	2·81	2·81
(3)	Administration	4·20	4·20	4·20	4·20	4·20	4·20	4·20
(4)	Distribution	1·82	1·82	1·82	1·82	1·82	1·82	1·82
(5)	Profit	5·51	5·51	5·51	5·51	5·51	5·51	5·51
	Ex-Company's Storage Points	131·10	129·57	133·05	131·44	138·65	138·28	142·61

STATEMENT No. 12

STATEMENT SHOWING THE BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

PRODUCT : BITUMEN STRAIGHT GRADES *UNIT :* METRIC TON

	Details	Bulk Parity			Packed Parity			
		Bombay	Kandla	Okha	Cochin	Madras	Vizag.	Calcutta
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(*i*)	f.o.b.	53·57	141·31	141·31	141·31	141·31	141·31	141·31
(*ii*)	Freight (AFRA for Bulk and Conference Rates for packed)	16·58	52·26	52·26	52·26	59·22	62·71	62·71
(*iii*)	Insurance at 0·0755% on f.o.b. for Bulk and at 0·0905% on c. & f. for packed	0·04	0·18	0·18	0·18	0·18	0·19	0·19
(*iv*)	Ocean Loss at 0·10% on c.i.f.	0·07	0·19	0·19	0·19	0·20	0·20	0·20
(*a*)	c.i.f.	70·26	193·94	193·94	193·94	200·91	204·41	204·41
(*b*)	Customs Duty	62·37	62·37	62·37	63·27	62·37	62·37	62·37
(*c*)	Wharfage	3·44	3·93	1·78	2·49	4·59	3·60	6·27
(*d*)	Other Compulsory Landing Charges	0·18	0·18	0·18	0·18	0·18	0·18	0·18
(*e*)	Cost of Drums (B.S.R. Basis)	91·05	..	..	..	..	..	..
(1)	Landed Cost (Packed)	227·30	260·42	258·27	258·98	268·05	270·56	273·23
(2)	Installation	10·91	10·91	10·91	10·91	10·91	10·91	10·91
(3)	Administration	9·03	9·03	9·03	9·03	9·03	9·03	9·03
(4)	Distribution	3·94	3·94	3·94	3·94	3·94	3·94	3·94
(5)	Profit	11·41	11·41	11·41	11·41	11·41	11·41	11·41
		262·59	295·71	293·56	294·27	303·34	305·85	308·52

NOTE : (1) In case Bitumen Straight Grade is supplied in Bulk (not packed in drums), the relevant customs duty at 27 per cent on a provisional tariff value of Rs. 138/- per metric ton, will have to be substituted for the corresponding figures.

(2) In the case of Bitumen ex-Digboi Refinery, the customs duty at 27 per cent. on the respective tariff values will replace the figures in the above statement in arriving at the ceiling selling prices of Bitumen suppllied in Assam area.

STATEMENT No. 13

STATEMENT SHOWING BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

Product : BITUMEN CUTBACKS

Unit : METRIC TON

	Details	Bulk Parity			Packed Parity			
		Bombay	Kandla	Okha	Cochin	Madras	Vizag.	Calcutta
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs	Rs.
(i)	f.o.b.	60·79	174·17	174·17	174·17	174·17	174·17	174·17
(ii)	Freight (AFRA for Bulk and Conference Rates for Packed)	16·58	53·24	53·24	53·24	60·34	63·89	63·89
(iii)	Insurance at 0·0755% on f.o.b. for Bulk and at 0·0905% on c. & f. for packed	0·05	0·21	0·21	0·21	0·22	0·22	0·22
(iv)	Ocean Loss at 0·10% on c.i.f.	0·08	0·23	0·23	0·23	0·24	0·24	0·24
(a)	c.i.f.	77·50	227·85	227·85	227·85	234·97	238·52	238·52
(b)	Customs Duty	75·60	75·60	75·60	75·60	75·60	75·60	75·60
(c)	Wharfage	3·44	3·93	1·78	2·49	4·59	3·60	6·27
(d)	Other Compulsory Landing Charges	0·18	0·18	0·18	0·18	0·18	0·18	0·18
(e)	Cost of Drums (B.S.R. Basis)	125·94	..	..	..	..	..	..
(1)	Landed Cost (Packed)	282·66	307·56	305·41	306·12	315·34	317·90	320·57
(2)	Installation	10·91	10·91	10·91	10·91	10·91	10·91	10·91
(3)	Administration	9·03	9·03	9·03	9·03	9·03	9·03	9·03
(4)	Distribution	3·94	3·94	3·94	3·94	3·94	3·94	3·94
(5)	Profit	11·41	11·41	11·41	11·41	11·41	11·41	11·41
	Ex-Company's Storage Points	317·95	342·85	340·70	341·41	350·63	353·19	355·86

NOTE :—In the case of Bitumen ex Digboi Refinery the customs duty at 27% or the respective tariff value will replace the figure in the above statement in arriving at the relevant ceiling selling price.

STATEMENT No. 14

STATEMENT SHOWING BASIC CEILING PRICES EX-SELLING POINTS AS ON 24-5-1961

Product : BITUMEN-CUTBACKS/R.C. GRADES *Unit* : METRIC TON

	Details	Bulk Parity	Packed Parity					
		Bombay	Kandla	Okha	Cochin	Madras	Vizag.	Calcutta
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
(*i*)	f. o. b.	70·66	184·04	184·04	184·04	184·04	184·04	184·04
(*ii*)	Freight (AFRA for Bulk & Conference Rates for Packed)	16·58	53·24	53·24	53·24	60·34	63·89	63·89
(*iii*)	Insurance @ 0 0755% on f.o.b. for Bulk and @ 0·0905 % on c. & f. for Packed	0·06	0·22	0·22	0·22	0·22	0·23	0·23
(*iv*)	Ocean Loss at 0·10% on c.i.f.	0·09	0·[illegible]	0·24	0·24	0·25	0·25	0·25
(*a*)	c.i.f.	87·39	237·74	237·74	237·74	244·85	248·41	248·41
(*b*)	Customs Duty	75·60	75·60	75·60	75·60	75·60	75·60	75·60
(*c*)	Wharfage	3·44	3·93	1·78	2·49	4·59	3·60	6·27
(*d*)	Other Compulsory Landing Charges	0·18	0·18	0·18	0·18	0·18	0·18	0·18
(*e*)	Cost of Drums (B.S.R. Basis)	125·94	..	..	..	..	..	..
(1)	Landed Cost (Packed)	292·55	317·45	315·30	316·01	325·22	327·79	330·46
(2)	Installation	10·91	10·91	10·91	10·91	10·91	10·91	10·91
(3)	Administration	9·03	9·03	9·03	9·03	9·03	9·03	9·03
(4)	Distribution	3·94	3·94	3·94	3·94	3·94	3·94	3·94
(5)	Profit	11·41	11·41	11·41	11·41	11·41	11·41	11·41
	Ex-Company Storage Points	327·84	352·74	350·59	351·30	360·51	363·08	365·75

NOTE :—In the case of Bitumen ex-Digboi Refinery, the customs duty at 27% on the respective tariff/value will replace the figure in the above statement in arriving at the relevant ceiling selling price.

ANNEXURE No. I

STATEMENT SHOWING THE COMPARISON OF THE UNIT INCIDENCES OF MARKETING AND DISTRIBUTION CHARGES FOR THE YEARS 1958 & 1959

(Figures in Rupees)

Details	Burmah Shell		Stanvac		Caltex		I.B.P.		B.O.C. (I.T.)		W.I.O.D.C. Co.	
	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959
AVIATION SPIRIT (I.G.)												
Installation	0·1115	0·0894	0·0938	0·0756	0·0614	0·1633	..	..	..	..	..	..
Administration . . .	0·0916	0·0848	0·1136	0·1088	0·1202	0·0795	..	..	0·0934	0·0885	..	..
Distribution	0·0864	0·0955	0·0389	0·0432	0·0534	0·[illegible]08	..	..	0·0983	0·0943	..	..
Airfields	0·1877	0·1737	0·2482	0·2518	..	0·3202	..	..	0·1652	0·1693	..	..
TOTAL	0·4772	0·4434	0·4945	0·4794	0·2350	0·6238	..	..	0·3569	0.3521	..	..
AVIATION TURBINE FUEL (I.G.)												
Installation	0·0230	0·0288	0·0220	0·0159	0·0197	0·0228	..	..	..	0·0724	..	..
Administration . . .	0·0384	0·0364	0·0458	0·0444	0·0435	0·0388	..	..	..	0·0222	..	..
Distribution	0·0283	0·0260	0·0078	0·0111	0·0353	0·0236	..	..	..	0·0040	..	..
Airfields	0·1408	0·1310	0·1506	0·1048	..	..	..	..	..	0·4553	..	..
TOTAL	0·2305	0·2222	0·2262	0·1762	0·0985	0·0852	..	..	..	0·5539	..	..

ANNEXURE No. I—(*contd.*)

Details	Burmah Shell		Stanvac		Caltex		I.B.P.		B.O.C. (I.T.)		W.I.O.D.C. Co.	
	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959
MOTOR SPIRIT (I.G.)												
Installation	0·0602	0·0520	0·0584	0·0506	0·0584	0·0591	0·0973	0·0897	0·0346	0·0369	..	..
Administration	0·0924	0·0848	0·1112	0·1054	0·1160	0·0988	0·0860	0·0643	0·0302	0·0227	..	..
Distribution	0·1375	0·1253	0·1137	0·1166	0·1191	0·1126	0·1109	0·0991	0·0303	0·0262	..	..
R.P.Os.	0·0336	0·0352	0·0696	0·0548	0·0670	0·0626	0·0335	0·0307	0·0210	0·0228	..	..
TOTAL	0·3237	0·2973	0·3529	0·3274	0·3605	0·3331	0·3277	0·2838	0·1161	0·1086	..	..
H.S.D. (I.G.)												
Installation	0·0255	0·0312	0·0271	0·0293	0·0350	0·0385	0·0773	0·0527	0·0285	0·0301	..	..
Administration	0·0579	0·0634	0·0672	0·0774	0·0721	0·0733	0·0548	0·0493	0·0223	0·0151	..	..
Distribution	0·0951	0·1046	0·0730	0·0744	0·0577	0·0766	0·0723	0·0853	0·0209	0·0202	..	..
Retail Pump Outlets	0·0253	0·0265	0·0511	0·0529	0·0709	0·0583	0·0257	0·0191	0·0188	0·0208	..	..
TOTAL	0·2038	0·2257	0·2184	0·2340	0·2357	0·2467	0·2301	0·2064	0·0905	0·0862	..	..

ANNEXURE No. I—(contd.)

Details	Burmah Shell		Stanvac		Caltex		I.B.P.		B.O.C. (I.T.)		W.I.O.D.C. Co.	
	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959	1958	1959
KEROSENE (8 I.G.)												
Installation	0·2638	0·2530	0·2561	0·2366	0·3784	0·3276	0·3844	0·3167	0·2416	0·2747	0·1863	0·1648
Administration	0·3797	0·3550	0·4273	0·4102	0·4686	0·4112	0·3537	0·2770	0·2196	0·1716	0·1989	0·1373
Distribution	0·4778	0·3796	0·3313	0·3849	0·3289	0·3325	0·3339	0·3036	0·2021	0·3084	0·1018	0·0855
TOTAL	1·1213	0·9876	1·0147	1·0317	1·1759	1·0713	1·0720	0·8973	0·6633	0·7547	0·4870	0·3876
VAPORISING OIL (I.G.)												
Installation	0·0675	0·0546	0·0543	0·0846	0·0550	0·0357	..	..	0·0298	0·0314	..	..
Administration	0·0626	0·0678	0·0748	0·0813	0·0783	0·0786	..	..	0·0243	0·0173	..	..
Distribution	0·0823	0·0868	0·0557	0·0860	0·0109	0·0795	..	..	0·0362	0·0345	..	..
TOTAL	0·2124	0·2092	0·1848	0·2519	0·1442	0·1938	..	..	0·0903	0·0832	..	..
LIGHT DIESEL OIL (TON)												
Installation	8·35	7·12	6·06	5·54	7·75	8·21	5·50	5·87	7·25	7·77	..	..
Administration	10·85	10·29	12·73	12·30	13·70	12·00	10·46	8·12	5·30	3·78	..	..
Distribution	10·36	10·30	9·10	10·99	7·41	9·51	4·02	4·87	3·56	4·10	..	..
TOTAL	29·56	27·71	27·89	28·83	28·86	29·72	19·98	18·86	16·11	15·65	..	..

FURNACE OIL (TON)												
Installation	3·57	3·30	2·36	3·27	5·25	4·67	..	..	..	..	..	..
Administration	5·24	4·71	6·90	5·84	6·42	5·44	..	..	..	..	..	..
Distribution	3·71	4·24	9·84	10·11	4·47	6·83	..	..	..	..	..	..
TOTAL	12·52	12·25	19·10	19·22	16·14	16·94	..	..	..	..	..	..
BITUMEN (TON)												
Installation	18·04	16·33	5·19	5·07	14·24	13·45	..	..	11·71	9·43	..	..
Administration	11·21	10·11	12·72	12·39	13·74	10·65	..	..	2·25	2·16	..	..
Distribution	3·83	5·21	10·30	8·92	10·17	7·39	..	..	1·93	2·18	..	..
TOTAL	33·08	31·65	28·21	26·38	38·15	31·49	..	..	15·89	13·77	..	..
Lubricants & Greases (I.G.)	0·6035	0·5542	0·4060	0·4193	0·4932	0·4458	0·3222	0·3371	0·2005	0·2697	..	..
Others (I.G.)	0·1501	0·1691	0·1229	0·1318	0·1343	0·1317	0·2062	0·1694	0.0517	0·0496		..

The total unit incidences shown above are inclusive of Delivery Charges, if any, beyond the Company's Storage Points recoverable or otherwise separately.

APPENDIX I

No. 101(11)/60-PPD

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES AND FUEL

(Department of Mines and Fuel)

New Delhi, the 2nd August 1960.

MEMORANDUM

SUBJECT:—*Oil Price Enquiry Committee*

The Government of India have set up a Committee to examine principles and elements according to which selling prices of various petroleum products in India should be determined after April 1, 1961.

2. The Committe shall, *inter alia* examine, and report upon,

(a) the cost at which crude oil and the various refined petroleum products can be imported;

(b) whether the "port charge elements" in oil prices can be adjusted on a flat basis irrespective of the particular port to which any supply area is linked;

(c) in keeping with the relevant clauses of the existing Agreements relating to the establishment of the two refineries at Bombay and the refinery at Visakhapatnam, how should the ceilings be determined for the ex-refinery prices of their products;

(d) whether the time is opportune for evolving a railway freight pool system in respect of oil products;

(e) Whether along with such pooling, or irrespective of the same, for reduction of the imbalance in consumption particularly, principles can be evolved for having a common tariff of railway freight in respect of petroleum products, irrespective of whether they are of the dangerous or non-dangerous category;

(f) to what extent more efficient and economic arrangements can be introduced for unloading, storage and distribution of petroleum products inland;

(g) the best manner in which the oil industry can enlist service Co-operatives in the marketing and distribution of such petroleum products as are in daily use in almost every household like, particularly, kerosene; and

(h) in keeping with the needs of conservation of foreign exchange, stabilisation of prices, raising of internal resources, and the overall development of the planned economy, to

what extent the pricing mechanism in respect of petroleum products should be used for purposive influencing of production, transport, distribution and consumption patterns.

3. The Committee will consist of the following:—

1. Shri K. R. Damle, I.C.S., Secretary,
Department of Agriculture,
Ministry of Food and Agriculture—*Chairman.*

2. Shri P. N. Sapru, M.P.—*Member.*

3. Shri N. Krishnan, Chief Cost
Accounts Officer,
Ministry of Finance—*Member.*

4. The Committee has been requested to submit their report to Government in this Department by December 31, 1960.

5. Shri N. R. Law, Under Secretary to the Government of India in this Department, will serve as the Secretary to this Committee and all correspondence intended for the Committee may kindly be addressed to him.

(Sd.)
(S. K. Mukherjee)
Deputy Secretary to the Govt. of India.

To

All the Ministries of the Government of India.
All the State Government and Union Territories.

APPENDIX II

List of the parties to whom the Questionnaires were issued and from whom replies were received.

1. Burmah-Shell Oil Storage and
   Distributing Co. of India Ltd.,
   P.B. No. 688,
   Bombay No. 1.
2. M/s. Standard-Vacuum Oil Company,
   P.B. No. 355,
   Bombay No. 1.
3. M/s. Caltex (India) Ltd.,
   P.B. No. 155,
   Bombay No. 1.
4. M/s. Indo-Burma Petroleum Co. Ltd..
   Allahabad Bank Building,
   Apollo Street, Fort,
   P.B. No. 369,
   Bombay No. 1.
5. M/s. Burmah Oil Co. (India Trading) Ltd.,
   P.O. Digboi (Assam).
6. M/s. Assam Oil Co. Ltd.,
   P.O. Digboi (Assam).
7. M/s. Western India Oil Distributing Co. Ltd.,
   P.B. No. 975,
   Bombay No. 1.
8. M/s. Indian Oil Co. Ltd.,
   P.B. No. 10005,
   Bombay No. 1.
9. M/s. Burmah Shell Refineries Ltd.,
   P.B. No. 1725,
   Bombay.
10. M/s. Standard-Vacuum Refining Co. of India Ltd.,
    P.B. No. 355,
    Bombay No. 1.
11. M/s. Caltex Oil Refining (India) Ltd.,
    P.B. No. 155,
    Bombay No 1

12. M/s. Gulf Oil India (P) Ltd.,
Post Box No. 1943,
Steelcrete House,
3, Dinshaw Wacha Road,
Bombay.

13. M/s. Castrol Ltd.,
91, Walkeshwar Road,
Bombay No. 6.

14. M/s. Tide Water Oil Co. India (P) Ltd.,
8, Clive Road,
Calcutta.

15. M/s. Soorajmull Nagarmull,
8, Dalhousie Square, East,
Calcutta.

*16. M/s. Sikri & Grover,
P.B. No. 1840,
Bombay No. 1.

*17. M/s. Victor Oil Co. (P) Ltd.,
8, Middleton Street,
Calcutta—16.

*18. M/s. Bombay Mercantile Corporation,
211—217, Nagdevi Street,
Bombay No. 3.

19 M/s. Twilit Corporation (P) Ltd.,
Army Navy Building,
Mahatma Gandhi Road, Fort,
Bombay No. 1.

*20. M/s. H. J. Leach & Co. (P) Ltd.,
Asian Building,
Nicol Road, Ballard Estate,
Bombay No. 1.

21. Ministry of Railways,
(Railway Board),
New Delhi.

22. Ministry of Transport and Communications,
(Department of Transport), New Delhi.

23. All State Governments and Union Territory
Administrations.

No replies were received.

APPENDIX III

List of persons who attended discussions with the Committee (*vide paras* 1·5 & 1·6)

AT DIGBOI

Mr. G. N. S. Robertson Mr. C. E. Finlay Mr. C. F. Kent Mr. T. G. Hunter Dr. B. K. Burman	Representing	M/s. Burmah Oil Co.(I.T.) Ltd., M/s. Assam Oil Co. Ltd.	17-4-61 & 18-4-61

AT BOMBAY

Shri K. K. Roy Shri J. J. Patel Shri M. N. Patel	Representing	M/s. Western Indian Oil Distributing Company Ltd.	25-4-61
Shri B. Arora Shri M. V. Seshadri	Do.	M/s. Indian Oil Company Ltd.	25-4-61
Mr. L. D. Mudie Mr. P. D. Tew Mr. B. A. Carlisle Mr. G. B. Stanger Shri K. N. Khanna	Do.	M/s. Burmah Shell Oil Storage & Distributing Co. of India Ltd., M/s. Burmah Shell Refineries Ltd.	26-4-61
Mr. J. W. Sinclair Mr. J. C. Howard Mr. C. B. Seitz Mr. G. W. Carr Mr. W. J. Spicer Shri J. C. Goyle Shri P. N. Sardesai	Do.	M/s. Standard Vacuum Oil Co., M/s. Standard Vacuum Refining Co. of India Ltd.	27-4-61
Mr. J. R. Price Shri H. R. Bery Mr. R. B. Brown Mr. H. D. Dennis Mr. L. Chapman Shri S. Y. Iyer Shri S. G. Subramanian	Do.	M/s. Caltex (India) Ltd., M/s. Caltex Oil Refining (India) Ltd.	29-4-61

AT NEW DELHI

Shri K. K. Roy Shri S. N. Patel Shri J. J. Patel Shri M. N. Patel Shri P. M. Nathwani	Representing	M/s. Western India Oil Distributing Co. Ltd.	16-5-61
Shri B. Arora Shri B. S. Nangia	Do.	M/s. Indian Oil Company Ltd.	16-5-61
Mr. C. E. Finlay Mr. C. F. Kent Mr. T. G. Hunter Shri S. K. Dutta Dr. B. K. Burman	Do.	M/s. Burmah Oil Co. (I.T.) Ltd., M/s. Assam Oil Co. Ltd.	17-5-61

Mr. L. D. Mudie Mr. P. J. Dickinson Mr. B. A. Carlisle Shri K. N. Khanna	Representing	M/s. Burmah Shell Oil Storage & Distributing Co. of India Ltd.	18-5-61
Mr. J. W. Sinclair Mr. J. C. Howard Mr. C. B. Seitz Mr. G. W. Carr Shri J. C. Goyle Shri P. N. Sardesai Shri R. Krishnan	Do.	M/s. Standard Vacuum Oil Co.	19-5-61
Mr. R. B. Brown Mr. L. Chapman Mr. J. M. O'Gara Shri K. N. Mani	Do.	M/s. Caltex (India) Ltd.	20-5-61

AT VISAKHAPATNAM

Mr. D. M. Berdine	Representing	M/s. Caltex Oil Refining (India) Ltd.	23-5-61
Shri K. K. Sahni, Joint Secretary to the Government of India.	At New Delhi Representing	Ministry of Steel, Mines and Fuel (Department of Mines & Fuel).	25-5-61.
Shri K. G. S. Iyer, Joint Director (Traffic) Transportation	Do.	Ministry of Railways (Railway Board).	27-5-61
Shri S. S. Khera, Secretary to the Government of India	Do.	Ministry of Steel, Mines and Fuel (Department of Mines and Fuel.)	29-5-61

GMGIPND T S Wing—14 D. M. & F.—10-11-61—600.